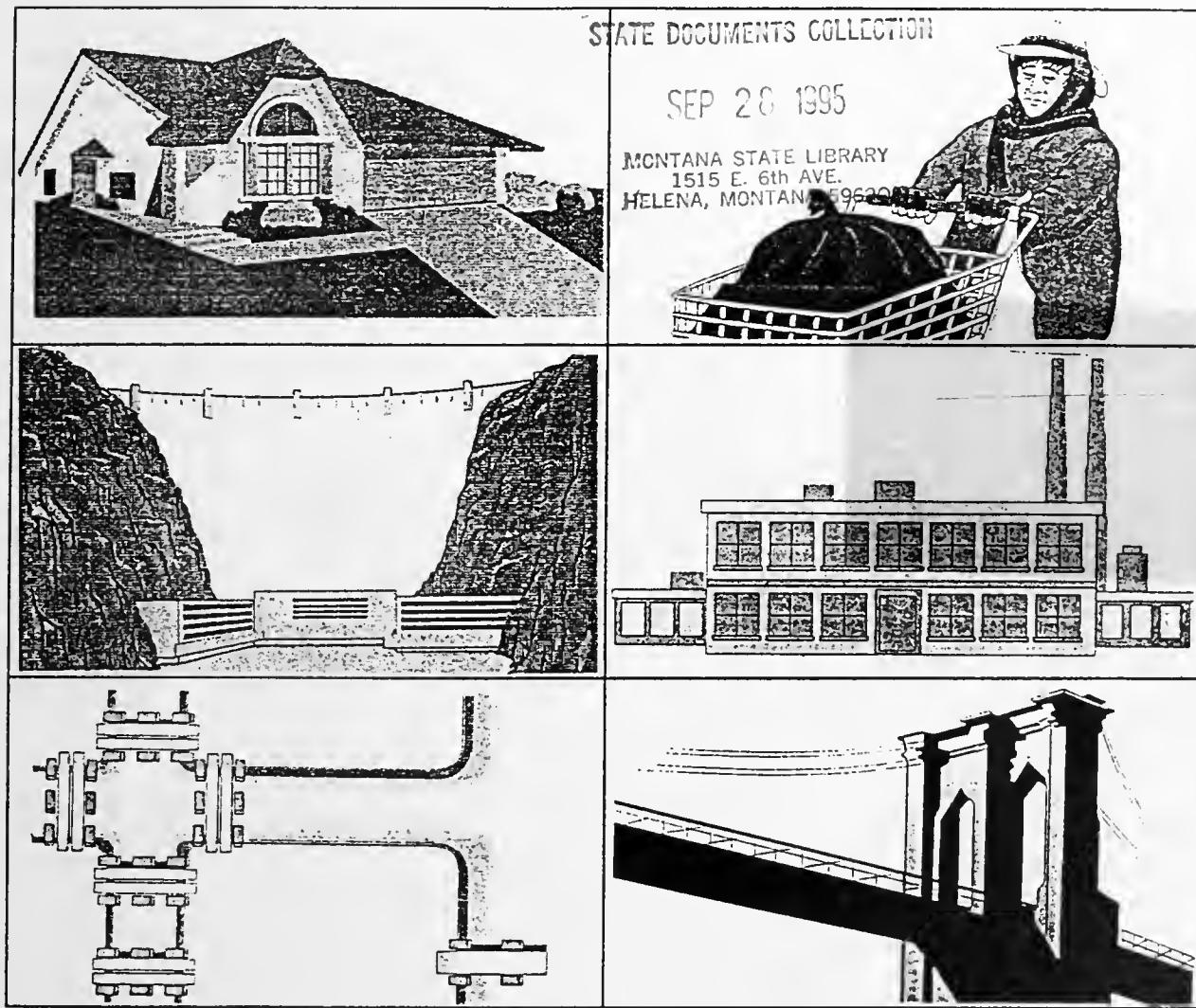


# THE STATE OF MONTANA 1995 - 1999 CONSOLIDATED PLAN

## VOLUME II

### CONSOLIDATING THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM EMERGENCY SHELTER GRANT PROGRAM AND THE HOME PROGRAM



PLANNED  
DEVELOPMENT

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U.S. DEPARTMENT OF  
HOUSING AND URBAN DEVELOPMENT  
DENVER REGIONAL OFFICE, REGION VIII  
633 17TH ST.  
FIRST INTERSTATE TOWER NORTH  
DENVER, COLORADO 80202-3607

MAR 27 1995

Honorable Marc Racicot  
Governor Montana  
Helena, MT 59620

Dear Governor Racicot:

I am pleased to transmit to you the approval of your 1995 Consolidated Plan. The Community Planning and Development (CPD) grant assistance that is being approved along with the Plan totals \$12,364,000 for Fiscal Year 1995. The State of Montana, will receive the official grant documents in a separate package.

The Department of Housing and Urban Development is committed to working in partnership with you to promote a more comprehensive vision of community development, improve the planning and coordination in the use of these funds and simplify and consolidate the application and reporting requirements. Please join us in this effort to make CPD programs even more effective in improving the quality of life in our communities.

If we may be of further assistance, please feel free to contact me at (303) 672-5414.

Sincerely,

Sharon Jewell  
Acting Director  
Community Planning and Development

Mr. Jon Noel  
Director  
Department of Commerce  
Capitol Station  
Helena, MT 59620

Mr. Newell Anderson  
Administrator, Local Govt  
Assistance Division  
Capitol Station  
Helna, MT 59620

Comments for Montana Consolidated Plan

STATE OF MONTANA CONSOLIDATED PLAN COMMENTS

Congratulations once again on the approval of your Plan! Your Plan was completed in a timely fashion and was well done.

You were able to use past studies as well as past CHAS information. However, in many areas new data had to be gathered. It was clear in the Plan how the various State agencies as well as non-profit entities collaborated to gather that data. Hopefully, this will be productive in even closer working relations to implement your Plan. Your staff who compiled the document are to be commended since they had to complete this endeavor while doing their regular assignments.

There was an excellent job done on gathering information on the homeless population. It showed the number of homeless and many of the causes for being homeless. However, the strategy to alleviate homelessness seems to be very limited. While it is recognized that the State must begin development of a strategy for addressing the continuum of care for the homeless, it is waiting for legislation to pass before devising a homeless assistance strategy. Perhaps some immediate actions could begin. The Plan mentioned that shelters had to turn people away due to lack of space. Actions could be taken to increase the size or number of shelters.

**THE STATE OF MONTANA**  
**1995 THROUGH 1999**  
**CONSOLIDATED PLAN**  
**VOLUME II**

Prepared for  
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Montana CPS Coordinator  
Montana Department of Commerce

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April 1, 1995



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# THE MONTANA CONSOLIDATED PLAN FOR FISCAL YEARS 1995-99

## INTRODUCTION

During calendar 1994, the U.S. Department of Housing and Urban Development issued rules relating to the consolidation of several formula grant programs. These are the Community Development Block Grant (CDBG), Home Investment Partnerships (HOME), Emergency Shelter Grant (ESG), and Housing Opportunities for People with AIDS (HOPWA) programs. The first three programs are applicable to Montana. With the consolidation of the programs also come a uniform time period by which the programs will be implemented and operated. Previously, each of these programs had separate application processes for funding (from HUD). This is no longer the case, as they are herein consolidated as a single submission.

Montana has elected to issue this Consolidated Plan Submission as a two volume set. The first volume pertains to the five-year strategy, identifying issues and needs to be addressed over the next several years. Volume II, this report, presents the Annual Plan. The annual plan contains the individual program applications that would normally be part of the individual program applications to HUD, along with their respective documentation and certifications. It is anticipated that much of this volume will change from year to year, as the program levels change, specific issues are resolved, and new needs arise.

The purpose of this report (Volume II) is to present the results of the State's first consolidation and planning process. Herein are the application packages for the three formula allocation programs: HOME, CDBG, and ESG.

The consolidated plan process has brought together the planning, application, reporting, and citizen participation components of each of the formula programs. It promotes a unifying opportunity for units of local government, the State, and others, thus laying the foundation for development of cohesive, attractive, safe, and economically vibrant communities. The focus of this plan is to bring together diverse elements of communities and create a cohesive view of their problems and use that view to fashion a comprehensive approach to community development. The consolidated planning process encourages all citizens, especially low income residents, to take a part in shaping their own future.

HUD's formula programs, alone, in concert with one another, and with other HUD-funded programs, have three basic goals pertinent to the consolidated plan: to provide decent housing; to provide a suitable living environment; and to expand economic opportunities. Providing decent housing may involve assisting homeless people to obtain appropriate housing, retaining the affordable housing stock, increasing the availability of permanent affordable housing for low-income households without discrimination, and increasing supportive housing to assist persons with special needs. Providing a suitable living environment means improving the safety and livability of neighborhoods; deconcentrating housing opportunities and revitalizing neighborhoods; restoring and preserving natural and physical features with historic, architectural,

and aesthetic value; and conserving energy resources. To expand economic opportunities, the comprehensive approach emphasizes creation of accessible jobs, providing access to credit for community development, and assisting low-income persons to achieve self-sufficiency in federally assisted and public housing.

The objectives of this Volume II report are varied. First, this report is designed to contain all three formula grant program guidelines, thereby encouraging the consolidation of the application process. Also, this document places within a single context each of the sets of needs being addressed by the State over the short run, allowing each set of application guidelines to be viewed individually or in concert with the others.

The Consolidated Plan will provide details to citizens, public agencies, and other interested parties of the amount of assistance the jurisdiction expects to receive, range of activities that may be undertaken, and the general program activities that will be planned in addressing the priority needs outlined in the plan. The plan also presents details on analysis and evaluation of priority needs statewide, as well as presenting policies related to the provision of affordable housing and community development. The plan also offers certifications stating that statutory guidelines have been followed, such as efforts to minimize the displacement of people and to assist persons who have been displaced.

The goal of this document is to present to HUD a single narrative covering all aspects of these programs. It will address the near term, single program year for 1995. The content of this report is as follows:

- Annual Plan Needs Summary, and identifiable targets;
- Summary of eligibility and methodology for distributing funds;
- Program application guidelines; and
- Certifications.

## **SUMMARY OF HOUSING AND COMMUNITY DEVELOPMENT NEEDS**

### **HOUSING**

Housing needs across the state of Montana vary widely. The extreme diversity in available housing, the age of the housing stock, and the overall range in population density complicate assessments of the degree and type of need. There is a broad array of housing availability, affordability, and suitability problems across Montana. Simply treating the symptoms of the malady will not be sufficient to solve the problems. Resources do not appear to be adequate to deal with all the housing needs and requirements that plague the state.

The difficulties are becoming more structural for low-income households and families and have spread to nearly all income groups, except the wealthy. Regardless of the overwhelming demand for affordable housing, Montana will be implementing programs and delivering services to in-need populations around the state, attempting to continue a process that minimizes the state's housing problems. The general goals are to:

- Expand the supply of decent and affordable housing, particularly rental housing, for low- and very low-income Montanans. This includes making existing rental housing affordable through tenant-based rental assistance.
- Strengthen the abilities of state and local governments to design and implement strategies for achieving adequate supplies of decent, affordable housing for all Montanans.
- Provide both financial and technical assistance to local government and non-profit entities, including the development of model programs for affordable low-income housing.
- Extend and strengthen partnerships among all levels of government and the private sector, including for-profit and nonprofit organizations, in the production and operation of affordable housing.

With these broad-based goals in mind, Montana anticipates supporting any and all programs that address housing needs throughout the state. These needs can be classed as four categorical difficulties, as reviewed below.

### **INSUFFICIENT HOUSING AVAILABILITY**

Lack of available housing is a problem that requires resolution; little is available for low- and moderate-income Montanans in most parts of the state. If housing is available, it tends to be of substandard quality. Since the 1990 Census was taken, Montana's major cities have experienced a dramatic increase in population that is driving up the demand for housing; prices

are following demand accordingly; statewide, the population has risen nearly 5 percent, with some local areas experiencing far greater increases.

In cities such as Kalispell, Missoula, Bozeman, Helena, and Billings, in-migration is often comprised of higher income persons who are in a better position to purchase land and buildings than many current state residents. Of those Montanans who can afford housing, many resign themselves to acquiring lower-quality shelter due to the encroaching housing shortage. Low-income Montanans lose housing options. People fear becoming homeless because they can no longer afford housing in their area, whether rented or owned. The homes currently being constructed are the more expensive, up-scale homes. Little, if any, construction activity has created affordably priced homes and rental property in the last several years. Within the next few years, Section 8 waiting lists administered by the state are expected to swell by about 65 percent, to over 10,000 people.

### **ABSENCE OF HOUSING AFFORDABILITY**

Housing affordability varies widely around the state, but it is typically a more severe problem in the urbanized areas. Rural and sparsely populated regions of Montana tend to experience dual problems with housing shortages and poor quality. Because of the tight market and general lack of home building, prices for both houses and rental units have risen sharply in the last year.

There is a large gap between what the market is supplying and what people can afford. Some Section 8 landlords are increasing rents at annual review, citing prevailing market rates, taxes, and sewer increases. Other Section 8 landlords are simply leaving the program in favor of the private rental market, which provides wider profit margins, citing HUD limitations on rent increases and use of vouchers and certificates as the reason for the switch.

### **INADEQUATE HOUSING SUITABILITY**

A major problem pertains to the structural and physical integrity of the housing stock. Many people who live in their own homes do not have incomes high enough to maintain them. Physical deficiencies are of great concern in many housing units across the state. A portion of the housing stock is 100 years old and built on sandstone foundations. Many structures also tend to have old, inadequate electrical wiring and gas vented chimneys used for wood stoves. Most older homes are poorly insulated. Particularly troubling for the large stock of Montana's older homes is the prospective risk of lead-based paint hazards. Nearly two-thirds of Montana's housing stock could be affected, although low-income rentals present the greatest risks.

Lack of return on investment is a major problem for landlords of housing units that need rehabilitation. Landlords do not want to lose their present tenants, but are also reluctant to borrow money and incur debt when they cannot afford to evict tenants or raise the rents to meet the debt service.

## LACK OF HOUSING ACCESSIBILITY

Under the Americans with Disabilities Act, housing accessibility has become a visible need across the state. Accessibility is a problem unless a unit is specifically built for people with disabilities. Modifications are often difficult and expensive, and must be completely removed when the tenant leaves (according to the ADA). Most people with disabilities cannot afford to do this, and landlords do not want the inconvenience or cost of constant remodelling. However, there are needs for housing for persons with other types of disabilities too.

## INSUFFICIENT SUPPORTIVE HOUSING

The housing component of the Montana State Mental Health Division (Residential Services) includes the state's two mental health institutions: Montana State Hospital and the Montana Center for the Aged. One of the major emphases in the Montana Public Mental Health System Plan regarding the State Hospital is recognition of the need for improving the process of transition for patients going from the hospital to the community. This goal is outlined in the Public Mental Health System Plan:

The process of patient discharge planning at the hospital will be reviewed and updated. Formal discharge planning for each patient will begin at the time of admission to the hospital and will involve staff members from the hospital and the community mental health center that serves the patient's home community. This will help to identify the components of hospital treatment that will be important in helping patients prepare for a successful return to their home community. It will also help to identify the service and support that patients will need upon discharge from the hospital.

The mental health plan identifies an ideal system of community services for adults with severe and disabling mental illness. Housing for the mentally ill, one of the strategy areas, calls for the continuation of the 100 beds in group homes, and the addition of three group homes for mentally ill elderly persons (eight beds). The plan proposes the building of nine, one-apartment transition beds, and payment of rental costs for apartment managers at these sites. Emergency funds for 200 persons will be made available to assist clients with rent deposits, furnishings, and emergencies. A department staff person will be assigned to provide technical assistance in housing the mentally ill. These plans go along with the Mental Health Division's goal of encouraging the provision of supportive services in the "least restrictive, most natural and least disruptive setting possible."

Montana's Older Americans Act (1987) reaffirms the State's commitment to its older citizens. The act describes older Montanans as a valuable resource that it is not receiving sufficient services in all areas of the state. The act identifies the services needed by the State's elderly population, and plans are laid out for the following:

- develop appropriate programs;
- coordinate and integrate all levels of service;
- create a directory of available services and transportation to them;
- programs to facilitate self-care;
- physical and mental health care;
- legal programs;
- adult education; and
- research in aging.

The facilitator of elderly assistance is the Governor's Office on Aging, established in 1983. The office is responsible for developing and administering the state's plan on aging, develop an intrastate funding formula, representing the interests of the elderly in state legislative and regulatory bodies, and evaluating Area Agency on Aging activities.

While there are other segments of the in-need populations, such as the AIDS/HIV infected persons or those with alcohol or other drug dependence problems, and the State plans to distribute funds to these groups, funding levels are in line with the relative size and severity of the problems in Montana.

While the state has about 140,000 persons over the age of 60, about 12,993 of these persons require assistance, in some form, for housing. Of those, 3,267 are estimated to be frail elderly.

### **SUMMARY OF NEEDS FOR HOMELESS AND THOSE THREATENED WITH HOMELESSNESS**

Graduate students in the Department of Political Science at the University of Montana, Missoula, prepared a study for the Department of Social and Rehabilitation Services on a portion of Montana's homeless population, the sheltered homeless. The study, completed in May 1993, was designed to count sheltered homeless people in the state. Those living on the street, in institutionalized settings, or doubled-up with friends or relatives in existing housing were not included. The study provided demographic information on sheltered homelessness, and identified needs and the services available to Montana's sheltered homeless.

A physical count of sheltered homeless people was taken on two separate nights, December 2, 1992, and January 26, 1993, at 40 specified shelters. The study targeted 17 emergency shelters, seven domestic violence shelters, eight runaway youth shelters, and eight voucher systems. Few of the shelters were in northeastern Montana, and none in the southeast. Most surveyed shelters were located in urbanized areas (six in Billings, five in Missoula, and five in Bozeman).

The study concluded that approximately 502 homeless persons seek shelter each day during December and January. The December count included 548 persons requesting shelter, and 461 on the January date. On each night, 16 people requesting shelter were turned away,

two from the emergency shelters, 14 from runaway youth shelters. Shelters turned away homeless people primarily due to lack of space, and secondly due to behavioral problems. A majority of homeless people (352) were served by emergency shelters, while 70 stayed in domestic violence shelters, 41 stayed in runaway youth shelters, and 23 utilized the shelter voucher system.

A survey instrument completed by the shelter directors asked for information related to age, sex, race/ethnic origin, and family status of shelter clients. The mean age of sheltered homeless persons in Montana is 26 years. Individuals under the age of 19 made up 43 percent of the total sheltered homeless population, with a majority of that group under age 9. Sixty-one percent of sheltered homeless individuals were male, 39 percent female. Females made up a majority only in domestic violence shelters (67 percent, or 47 of 70 people). Adults between the ages of 20 and 49 represented 48 percent of the sheltered homeless population, most in their 30's. Only 9 percent of the homeless were over age 50.

Native Americans were disproportionately represented in the studied homeless population. They constitute 24 percent of the sheltered homeless population, yet they make up only 6 percent of the total statewide population. Whites represented 72 percent of persons in shelter facilities.

Additional information about the homeless in Montana was collected by the University through two questionnaires: the first was distributed to directors to solicit their opinion of the make-up and needs of their patrons; the second was offered only to emergency shelter clients, who completed the survey on a voluntary basis. According to the shelter directors, the average length of stay at a shelter ranged from 8 to 20 days; clients stayed longest at domestic violence shelters, ranging from 20 to 37 days. Those using vouchers typically remained only 1 to 5 days.

Domestic violence was most commonly cited by shelter directors as the reason for homelessness, but job skills, substance abuse, and affordable housing followed closely. Respondents cited deinstitutionalization, public assistance, problems, other difficulties, and runaway youth less frequently as the reason for their homelessness. Note, however, that some shelters do not take in runaway youth.

Hence, homeless adults are more likely to identify economic-related reasons, such as unemployment or 'moved to seek work,' as the cause of their homelessness. Substance abuse was rated by this type of respondent as a less frequent cause of their homelessness, while domestic violence was rated lowest by shelter clients. The difference between the two tables can be attributed in part to the limitation of the shelter client survey; it was available only to clients of emergency shelters. Therefore, Montana's homeless are primarily in need of long-term job training and counseling. Transitional housing, permanent housing, and employment were also cited as in great need. Their immediate needs relate to affordably priced permanent housing, medical health services, food, and clothing.

It is important to note that not all homeless persons were able to locate shelter during the SRS count nights. During both counts, 16 people were turned away. Most of these were youths (14 of 16), some with behavioral problems and others who may have gone to a shelter that was unable to take them. Therefore, runaway and homeless youths appear to require additional facilities and special counseling.

## **NON-HOUSING COMMUNITY DEVELOPMENT NEEDS MONTANA'S INFRASTRUCTURE**

One of the most critical problems facing the State of Montana is the condition of its infrastructure. For many years, key structures such as bridges, roads, bus systems, water supply systems, jails, libraries and courthouses have been taken for granted. For various reasons, there has been no systematic investment in operations, maintenance and replacement of the public facilities. Today, the results of this neglect are becoming critical. The Montana infrastructure problem needs immediate attention. Unaddressed, the facilities will continue to decline and the costs of replacing these vital systems will escalate beyond the limits of the State's funding capacity altogether.

In a large state with a small population, the cost of maintaining infrastructure systems is high. Montana spends \$416 per capita on its highways, for example, the third highest in the nation. The interstate and state-maintained highways are in good condition, but county and municipally maintained roads need work. The 1987 Montana Legislature passed a fuel tax increase, which was estimated to yield \$150 million over the next 10 years, but this is not enough.<sup>1</sup>

There have been two studies of Montana's infrastructure done in the past ten years. In 1984, the Governor's Task Force on Infrastructure published a report on the (then) current condition of Montana's infrastructure. In January 1991, the Community Technical Assistance Program, Montana Department of Commerce prepared a report called: *Statewide Infrastructure Needs By Type of Public Facility*. The long-term funding needs of facilities were as follows:

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<sup>1</sup>The Governor's Council on Economic Development, *The Next Century: Strategies for Advancing Montana's Economy*, December 1988.

#### LONG-TERM FUNDING NEEDS

<b>FACILITY TYPE</b>	<b>1984</b>	<b>1991</b>
Bridges	100,000,000	81,000,000
Roads/Streets	8,000,000,000	9,100,000,000
Airports	not specified	22,400,000
Rail Transportation	not specified	30,300,000
Bus System (Public Transportation)	2,500,000	16,000,000
Water Supply System	not specified	357,700,000
Dams	not specified	not specified
Wastewater Treatment/Disposal	231,276,000	not specified
Solid Waste System	not specified	17,500,000
Hazardous Waste Clean-Up	not specified	4,000,000
Libraries	not specified	600,000
Jails	56,000,000	not specified
<b>TOTAL</b>	<b>8,389,776,000</b>	<b>9,629,500,000</b>

Taking into account that the amounts "not specified" would be numbers in proportion to the ones that were available, and the fact that it is now three years later, we can estimate the current long-term funding needs at over \$10 billion! This figure does not include other facilities in need of repair or replacement such as animal shelters, courthouses, fire stations, museums, parks, parking facilities, police stations, and fairgrounds. Current short-term needs of facilities have been reported as:

#### SHORT-TERM FUNDING NEEDS

<b>FACILITY TYPE</b>	<b>1994</b>
Bridges	109,000,000
Highways	1,882,000,000
Water Quality	82,236,000
Drinking Water & Wastewater Treatment	39,650,000
Landfills (Anticipated Minimum)	5,661,000
<b>TOTAL</b>	<b>2,118,547,000</b>

**MONTANA 10-YEAR HIGHWAY NEEDS**  
**(IN MILLIONS)**  
**FISCAL YEAR 1994**

SYSTEM NAME	FULL DESIGN STANDARDS (Total Fed & State)	MINIMUM STANDARDS (Total Fed & State)
Interstate	\$668	\$350
Primary NHS (a)	\$1,517	\$572
Primary STP	\$2,584	\$547
Secondary	\$865	\$318
Urban NHS (a)	\$83	\$14
Urban STP	\$101	\$56
Orphan STP Plant	\$34	\$6
Orphan Plant	\$102	\$19
Bridges	\$109	\$109
<b>TOTAL</b>	<b>\$6,063</b>	<b>\$1,991</b>

**MONTANA WATER QUALITY**  
**FISCAL YEAR 1994**

NAME	CATEGORY	COST
Big Sky WWTP Improv.	I,II	\$5,000
Town of Stockett	I,IVA	\$250
City of Missoula S.W. Missoula	IVA	\$2,300
City of Missoula Rattlesnake	IVA	\$1,000
Town of Lodge Grass Lagoon	I	\$300
Whitefish Co. W & S Dist.	IIIB,IVA,IVB	\$3,450
Westshore Co. W & S Dist.	IVA,IVB	\$700
St. Mary's WWTP/SCS	I,IVA,IVB	\$405
City of Thompson Falls Sewers/Inter.	IIIB	\$400
Powell Co. (Garrison)	I,IVA,IVB	\$320
City of Cut Bank	I	\$750
Big Arm WWTP/SCS	I,IVA,IVB	\$4,200
Town of Cascade Lagoon	I	\$350
Town of Frazer Inter./Lagoon	IVB	\$500
Town of St. Regis WWTP/SCS	I,IVA,IVB	\$2,400
Town of Seeley Lake WWTP/SCS	I,IVA,IVB	\$2,100
Town of Hilger	I,IVA	\$750
Town of Vaughn Lagoon	I	\$700
Fallon Co. W & S Dist./SCS	IVA,IVB	\$523
City of Missoula 39th St. Inter.	IVB	\$80
City of Missoula Cooke/Knowles/Eddy	IVA,IVB	\$500
City of Missoula Reserve St.Corr.Coll	IVA	\$4,510
City of Missoula W. Mullan Coll.	IVA	\$400
City of Red Lodge Collectors	IVA	\$150
City of Hamilton Sewers	IIIA,IVA,IVB	\$3,000
City of Great Falls Galt Ave. Inter.	IVB	\$640
City of Harlowton Rehab	IIIB	\$250

**MONTANA WATER QUALITY  
FISCAL YEAR 1994**

NAME	CATEGORY	COST
City of Helena WWTP Improv.	I	\$300
Cooke City WWTP/SCS	I,IVA	\$1,150
City of Lewistown SCS	IVA,	\$400
Town of Terry SCS Improv.	IIIB	\$1,700
Worden-Ballantine W&S Dist. SCS Imp.	IIIB	\$200
City of Plentywood Lagoon	I	\$315
Town of Belt	IIIB	\$500
City of Butte WWTP Improv.	I	\$1,300
Rae Co. W & S Dist.	I	\$700
Lewis & Clark Co. SCS (Helena Valley)	IVA,IVB	\$2,600
Town of Stanford Lagoon	I	\$210
Town of Huntley WWTP/SCS	I,IVA,IVB	\$483
Town of Shepherd WWTP/SCS	I,IVA,IVB	\$580
Stillwater Co. (Reedpoint)	I,IVA	\$700
Town of Valier Lagoon	I	\$420
Town of Brady Lagoon	I	\$250
Rocker Co. W & S Dist.	I	\$250
South Libby Flats Coll.	IVA,IVB	\$500
Town of Troy Lagoon/SCS	I,IVA,IVB	\$3,800
Town of Box Elder Lagoons	I,IIIA	\$400
City of Belgrade	I,IVB	\$2,000
Town of Arlee WWTP/SCS	I,IVA,IVB	\$715
City of Hardin Interc. Rehab.	IIIB	\$3,500
City of Townsend	I	\$1,100
City of Wolf Point Lagoon Improv.	I	\$1,000
Lincoln Co. (Milnor Lake)	I	\$1,000
Lincoln Co. (Savage Lake)	I	\$1,000
Town of West Yellowstone	I	\$100
City of Dillon Interc.	IVB	\$470
Richland Co. (Savage)	I	\$420
Town of Victor WWTP Improv.	I	\$1,000
Lincoln Co. Septage Study	I	\$750
Town of Darby Lift Station	IIIB	\$100
Town of Martinsdale	I,IVA,IVB	\$900
West Glendive SCS	I,IVB	\$500
City of Missoula Mullan Interc.	IVA	\$1,270
City of Whitefish Interc.	IVB	\$420
City of Ronan Lagoon Improv.	I	\$500
Lincoln/Lewis and Clark Sewer Dist.	I	\$45
City of Shelby Sewers/WWTP Improv.	IIIB	\$500
Town of Columbus Lagoon	I	\$450
City of Big Timber WWT Fac.	I,IVA	\$1,200
Town of Brockton Lagoon	I	\$420
City of Red Lodge WWTP	I	\$630

**MONTANA WATER QUALITY  
FISCAL YEAR 1994**

NAME	CATEGORY	COST
City of White Sulphur Springs Lagoon	I	\$250
City of Havre Sludge Improv.	I	\$200
City of Laurel Drying Beds/SCS	I	\$160
City of Billings Aeration	I	\$500
Town of Boulder Storm Sewers	IVB	\$300
City of Billings Heights Coll.	IVA,IVB	\$2,000
City of Great Falls Storm Sewers	IVB	\$6,000
City of Missoula WWTP Improv.	I	\$150
<b>TOTAL</b>		<b>\$82,236</b>

## TABLE KEY:

CATEGORY	DESCRIPTION	CATEGORY	DESCRIPTION
I	Secondary Treatment	IVA	New Collectors
II	Advanced Treatment	IVB	New Interceptors
IIIA	I/I Correction	V	Continued Sewer Overflow
IIIB	Sewage System Replacement and Major Rehabilitation		

**MONTANA WASTE WATER SYSTEMS  
NEEDED WATER QUALITY IMPROVEMENTS  
FISCAL YEAR 1994**

WATER DISTRICT NAME DRINKING WATER PROJECTS	IMPROVEMENT DESCRIPTION	CURRENT COST (1,000s)
Dillon	wells, storage	\$500
Neihart	treatment plant	\$750
Butte	treatment plant	\$6,500
Butte	storage, mains	\$1,000
Anaconda	wells, storage	\$1,000
Helena (Hale System)	well, storage, mains	\$1,300
Helena	replace mains	\$200
Helena (Eureka System)	new pump house	\$100
Columbia Falls	wells, storage	\$500
Ennis	storage, mains	\$1,000
Seeley Lake	treatment plant	\$1,000
Mountain Water Co. (Missoula)	storage, mains	\$862
Glasgow	treatment plant/pilot studies	\$150
Thompson Falls	storage modifications	\$50
Helena	storage	\$1,580
Kalispell	wells, mains	\$600
Butte (Big Hole)	source intake	\$75
Butte (Basin Creek)	structures	\$300
Butte (Moulton)	site work	\$1,000
Havre	plant piping, mains	\$100
Libby	treatment plant	\$3,000

**MONTANA WASTE WATER SYSTEMS  
NEEDED WATER QUALITY IMPROVEMENTS  
FISCAL YEAR 1994**

WATER DISTRICT NAME DRINKING WATER PROJECTS	IMPROVEMENT DESCRIPTION	CURRENT COST (1,000s)
Plains	wellhouse, transmission main	\$500
Bozeman	basin structures	\$1,700
Bozeman	mains	\$2,250
Great Falls	treatment equipment	\$680
Big Timber	water supply	\$50
Billings	treatment equipment	\$1,700
Billings	replace mains	\$1,800
Miles City	replace mains	\$75
Lima	transmission main	\$450
Brider	replace mains	\$10
Mountain Water Co. (Missoula)	storage, mains	\$4,418
<b>WASTEWATER PROJECTS</b>		
Evergreen	water quality standard violations	\$3,600
Westshore	water quality standard violations	
Hobson	plant upgrade, standard violations	\$50
Butte	plant upgrade (sludge standards)	\$800
<b>TOTAL</b>		<b>\$39,650</b>

**MONTANA SOLID WASTE PROJECTS  
FISCAL YEAR 1994**

LANDFILL NAME	PROJECT DESCRIPTION (all are in order to comply with EPA regs. X = extra project)	PROJECT COSTS	TIME FRAME (for completion)
Beaverhead County	finish closing old site/on-going monitoring	unknown	on-going
Big Horn County	X = new building for equipment	20,000	1995
Custer County	storm water retention pond liner	6,500 650,000	Fall 1994 1996-97
Daniels County	storm water retention pond methane wells water monitoring wells on-going monitoring	15,000 5,000 30,000 11,000	Spring 1995 Spring 1995 Spring 1995 yearly
Dawson County	storm water drainage methane monitoring X = new building X = chipper for trees X = landfill compactor	353,000 unknown 60,000 20,000 140,000	Spring 1995 yearly Spring 1995 Spring 1995 Spring 1995
Fallon County	financial assurances	10,000	yearly
Flathead County	closure/post-closure plan on existing landfill/lateral expansion	unknown	2000-01
Gallatin County (Logan)	No projects planned at this time	0	

Gallatin County (City of Bozeman)	waste screening, methane monitoring, liner, financial assurances, retention pond	1,000,000+	end of 1995
Hill, Blaine, & Chouteau	holding pond for storm water run-off	3,000	Spring 1995
Lake County	revegitate closed area	30,000	Nov 1994
	detention pond for run-off	18,000	April 1995
	update operational plan	10,000	end of 1994
Lewis & Clark County	post-closure at old site	120,000	1994
	monitoring	20,000	yearly
Liberty County	No projects planned at this time	0	
Lincoln County	methane monitoring wells	20,000	Spring 1995
	financial assurances	unknown	Spring 1995
Park County	methane monitoring wells	20,000	Oct 1994
Phillips County	X=new building for recycling	65,000	1996-99
Pondera County	monitoring wells	4,500	Fall 1994
Powder River County	No projects planned at this time	0	
Powell County	retention pond for water run-off, recontouring land topog	35,000	April 1995
Richland County	close old site/open new	225,000	May 1995
Roosevelt County	retention ponds at old site	150,000	Nov 1994
	X=new Class II and Class III sites	25,000	Nov 1994
Rosebud County	close old site/open new	1,205,000	1995
	monitoring	20,000	yearly
Sheridan County	need to update plans: operational, closure/post-closure, monitoring, financial assurances	100,000	Mid 1996
Silver Bow County	X=compost area	200,000	1996
Sweet Grass County	No projects planned at this time	0	
Toole County	Unknown	0	
Valley County	waste screening, update operational plan, methane monitoring	70,000	Dec 1994
Yellowstone County	storm water retention ponds	800,000	Mid 1995
	X=repair infrastructure at site	200,000	FY 1995-96
<b>TOTAL</b>		<b>\$5,661,000</b>	

Montana has a crisis on its hands. Its citizens need safe roads and bridges, working airports and rail transportation, and reliable bus systems. The health of Montanans must be protected with water supply systems, wastewater treatment and disposal systems, solid waste facilities, and hazardous waste facilities that meet State and Federal public health and safety standards. The county jails must be brought up to constitutional standards in order to protect the general public from real or perceived dangerous or irresponsible persons who may pose a threat to society, as well as to protect the rights of the prisoners. Without a reform of the current system and access to needed funds, the infrastructure will continue to deteriorate.

## SUMMARY OF ECONOMIC DEVELOPMENT NEEDS

During the past 22 years, there have been 10 separate reviews and studies of Montana's economic position by various public agencies and private-sector consultants. In 1970, the Bureau of Business and Economic Research of the University of Montana completed the *Montana Economic Study*. Samuel Chase, Jr. and the other authors of the study concluded that Montana was unlikely to regain its relatively prosperous economic position and was likely to fall even further behind. The authors cautioned, "We do not believe that a permanent order of priorities--a grand design--can or should be established with respect to state actions to remedy the situation." Instead a continuous, orderly process allowing Montanans to consider facts and express their preferences in light of changing economic realities was recommended. The report avoided making specific recommendations on how to address the challenge of low economic growth, but called for tax reform, governmental reorganization, and consolidation.

In August of 1976, Governor Thomas Judge presented the *Montana Governor's Policy Initiatives* as the representative areas upon which he anticipated the executive branch would focus its primary attention during the 1977-79 policy cycle. Specific policy and programmatic initiatives covered General Government, Community Affairs, The Economy and the Environment, Education, Human Services, Public Safety and Protection, and Transportation. The ultimate goal of the plan was to *create job opportunities at a rate sufficient to provide employment for all Montanans by identifying areas suitable for increased economic growth and activity*, taking into consideration the existing economic base, availability of materials and energy, labor market factors, transportation, existing market demand, and pollution-control requirements.

The *Montana Economic Development Project*, co-sponsored by the state government and the Montana International Trade Commission, began working to identify and analyze new economic development opportunities for Montana in the spring of 1982. By January of 1983, a strategic plan for economic growth was produced with the help of McKinsey and Co. The plan, while never put into final form and published, was used as a framework in 1987 by the Governor's Council on Economic Development in the development of "The Next Century: Strategies for Advancing Montana's Economy." The final summary draft of the 1983 McKinsey and Co. report contained detailed reviews of Montana's economic performance, an assessment of Montana's economic development assets and liabilities, and twenty-two specific recommendations to promote growth, including the Ambassadors business recruitment effort, more support for tourism promotion, increased investments in infrastructure, the formation of a science and technology committee, and a comprehensive tax study.

During the period between 1983 and 1988, several of the recommendations of the 1983 work were acted upon, with many more initiatives directed to sector-specific task forces or industries for further study. Published works during this period included the proceedings of a July 1986 *Conference on Montana's Economic Future* featuring Dr. David Birch; papers presented to a *Conference on Taxation and the Montana Economy* in September of 1986; and

the *Report of the Economic Transition Task Force to the Governor* in November of 1986. On March 22, 1987, the *Great Falls Tribune* published a *Special Edition Insert* with the results of a survey of Montana leaders which recommended a list of individuals most likely to lead Montana through the economic transition. This insert also contained a series of essays by Montana leaders and academics who voices opinions about particular government policies.

In December 1988, the Montana Ambassadors (a private organization of business and university leaders) published *Partnership for Progress*, a report which summarized the opinions of the Ambassadors' membership on the Montana economy, analyzed the economy and its problems, and made a number of recommendations related to tax reform, education, capital availability, workers' compensation reform, and other key development issues.

Also in December 1988, the Governor's Council on Economic Development presented *The Next Century: Strategies for Advancing Montana's Economy*. The report drew upon previous work of McKinsey and Co., David Birch, and other expert advisory groups. According to Stanley Nicholson, "The hallmark of the report was the diagnosis that Montana now has two economies, the traditional resource-based sector that is declining and the new small business sector that is advancing."<sup>2</sup> The report recommended five strategies as crucial to Montana's economic future:

- Investing in the Workforce
- Encouraging and Supporting Entrepreneurship and Business Innovation
- Building and Maintaining Physical Infrastructure
- Strengthening Local Government Fiscal Capacity
- Strengthening State Fiscal Capacity

Additionally, the report presented fifteen specific "tactics" to nurture economic development at the state and local levels and called for a review of the tax system.

The May 1990 *New Directions* report commissioned by the Montana State AFL-CIO and prepared by the Corporation for Enterprise Development, a private consulting firm in North Carolina, presented another agenda for organizing Montana's human and natural resources to build a "first-rate state economy." The report recommended national leadership in programs for retraining older workers and for building foreign-language and cultural education into the curricula of schools and universities. The authors also criticized the tax breaks enacted in the 1980s to spur business development as largely ineffective, and recommended that some of those be reversed to help pay for the under-funded regular government programs and for their program recommendations.<sup>3</sup>

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<sup>2</sup> *Ibid.*

<sup>3</sup> *Ibid.*

## **ELIGIBLE ACTIVITIES FOR HOME, CDBG, AND ESG**

### **HOME**

The following types of assistance will generally be available to all applicants:

- Housing Rehabilitation - Homeowner Units
- Housing Rehabilitation - Rental Units
- New Construction - Homeowner Units
- New Construction - Rental Units
- Acquisition of Property - First-time Homebuyer, rental housing, new construction
- Selective Eligible Activities (Site Improvements, Demolition, Acquisition of Land)
- Transitional Housing
- Tenant-based Rental Assistance
- Other activities related to development of non-luxury housing, with prior approval of HUD.

### **CDBG**

Projects may consist of one or more related activities within a general category. The activities which are eligible for funding under Montana's CDBG Program are limited to those set out by Congress in Title I of the Housing and Community Development Act of 1974, Section 105(a), as amended through October 28, 1992.

### **METHOD OF DISTRIBUTING FUNDS**

For HOME, 15 percent of total funds set aside for Community Housing Development Organizations (CHDOs). LGAD has been working closely with organizations who are interested in becoming certified as CHDOs, and has certified 20 to date. Only CHDOs and local units of government (e.g., cities, towns, and counties) are eligible to apply for HOME grant funds.

For CDBG public facilities funding, eligible applicants are limited to general purpose local governments: counties, incorporated cities and towns, and consolidated city-county governments. Among municipalities, only Billings and Great Falls are ineligible to apply to the State CDBG Program because they receive CDBG funds from a separate HUD allocation for communities with populations over 50,000. Montana's Indian tribes also receive CDBG funds from a separate HUD CDBG program and are not eligible to apply to the State program.

HOME and CDBG Public Facility grant funds are both awarded in a competitive application process. Historic trends have demonstrated that distribution of funds is equitably spread around the state, as both programs have limitations to the degree than any one entity can administer one or more types of projects.

## **EMERGENCY SHELTER GRANT PROGRAM**

Only Human Resource Development Councils are eligible for formula grants, with submission of proper documentation.

### **RANKING CRITERIA NARRATIVE**

#### **HOME RANKING**

The purpose of the ranking criteria is to help the reviewer evaluate a proposal and compare it to other proposals. The criteria questions provide the applicant an opportunity to discuss step by step how the planning process was completed, how housing needs were identified, explain how citizen participation activities worked into the planning and assessment process, and demonstrate the ability and capacity of the applicant to implement the project and manage it properly. The questions present the applicant with an opportunity to express how their organization has identified their housing problems, and proposed solutions for these problems. The intent of the program is to address the most urgent housing needs of low to very low income households in their community.

**The ranking criteria consist of five categories.** Each of the criteria represent a different element of the process and each is ranked according to the point system established for the HOME application ranking process. The point system has been discussed in at least 25 public hearings in various communities around Montana. The ranking questions are asked to enable the application ranking team to make a complete assessment of the proposed project, and to rank one proposal against the other to determine which ones will be funded. There is not enough money to fund all proposals; it is necessary to rank one application against the other to determine who will be funded based on the criteria. HOME Program staff do not have the time or resources to complete on-site reviews of HOME proposals, so the applicant must communicate to the reviewer, through the application, the process used to determine housing needs and propose sound solutions to those needs.

Prior to addressing the individual application questions, the applicant is asked to present an overall narrative describing the proposed program. The summary narrative should not exceed two pages in length. The narrative will enable the ranking team to gain an immediate understanding of the overall scope of the HOME proposal, including the key elements of the program. In addition, the narrative should provide information on how the program will be implemented and managed to achieve timely start-up, and to insure the maximum impact on housing for the targeted population.

HOME applications will be evaluated according to the following criteria. Each application may be assigned up to a maximum of 600 points, based on the following ranking criteria:

A. Planning Process:	100 Points
B. Housing Needs:	150 Points
C. Community Efforts:	100 Points
D. Implementation Strategy:	150 Points
E. Project Management:	100 Points
	=====
<b>TOTAL POSSIBLE POINTS:</b>	<b>600 Points</b>

**APPLICATIONS MUST RECEIVE AT LEAST 300 POINTS IN ORDER TO BE ELIGIBLE FOR FUNDING.**

#### **CDBG HOUSING: RANKING**

Housing applications will be evaluated according to the following criteria and may be assigned up to a maximum of 800 points, based on the following ranking criteria:

1. Project Planning and Selection	100 Points
2. Need	150 Points
3. Community Efforts	100 Points
4. Project Strategy and Impact	200 Points
5. Benefit to Low and Moderate Income	150 Points
6. Project Implementation and Management	<u>100 Points</u>
<b>TOTAL:</b>	<b>800 Points</b>

#### **CDBG PUBLIC FACILITY: RANKING**

Public facility applications will be evaluated according to the following criteria and may be assigned up to a maximum of 800 points:

1. Project Planning and Selection	75 Points
2. Need for Project	150 Points
3. Technical Review	100 Points
4. Community Efforts and Readiness	100 Points
5. Need for Financial Assistance	150 Points
6. Benefit to Low and Moderate Income	150 Points
7. Project Implementation and Management	<u>75 Points</u>
<b>TOTAL:</b>	<b>800 Points</b>

Additionally, special attention is paid to the need for financial assistance. The following narrative summarizes the evaluation criteria used for item 5, above, during the 1994 application and evaluation cycle.<sup>4</sup>

The evaluation process was conducted using three competitive ranking indicators (expressed as questions) which judge the relative financial need among all applicants for all types of projects, an analysis of whether or not applicants have capacity to support additional debt for the project for which program assistance is requested (plus a listing of local matching funds for each applicant), and supporting measures of the comparative levels of combined water and wastewater rates versus target rates for all applicants, and individual systems rates as a percent of target rates for water or wastewater system applicants. These are discussed below.

#### Competitive Ranking Indicators

The competitive ranking process is organized around three General Questions with analysis conducted under each of the questions. Indicator 1 was assigned 33 percent of the total weight among indicators for the programs. Indicator 2 was assigned 50 percent of the weight and Indicator 3 was assigned 17 percent weight. The following discussion on each indicator includes its calculation, use, and any qualifications or limitations to its use.

*Indicator 1) What is the relative economic condition of households within each of the applicant jurisdictions?*

Computation: This indicator is constituted by a ranking of data for each applicant in relation to the dollar level of Median Household Income (MHI), influences by the percent of persons in the jurisdiction at or below the level designated as Low to Moderate Income (LMI), and the percent of persons at or below the level designated as poverty. The MHI level receives double the weight of LMI and poverty percentages because MHI already considers some effect of persons in the jurisdiction living at or below LMI and poverty levels. To give equal weight to all three factors would cause an overweighting of the percent of LMI and poverty persons versus the mix of household incomes (high, moderate, and low) that results in a representative median.

Use: The indicator measures the relative level of household incomes among applicants - thereby providing a comparative measure of ability to pay for infrastructure and public services. Influencing the MHI ranking with the percent of persons existing at or below the levels of LMI and poverty, provides a means of identifying concentrations of a jurisdiction's population that have a relatively greater inability to pay for public services. Use of this indicator helps assure that program award decisions take into account pockets of low and very low income persons that will be extraordinarily burdened by increasing public utility rates.

Qualifications or Limitations: It is important to note that this measure is somewhat duplicative of ratios described below (the affordability index includes charges and taxes as a percent of MHI) which already include low income considerations within the measure of MHI, and is somewhat duplicative internally because LMI and poverty status are partially covered in the MHI measure. Use of the indicator gives significant weight to comparative economic hardship among households and persons.

*Indicator 2) What is the comparative total user charges and property taxes as a percent of Median Household Income among applicant jurisdictions?*

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<sup>4</sup> *Evaluation of the Financial Need of Applicants for the 1994-95 Application Cycle*, Montana Department of Commerce, Community Development Bureau.

Computation: This measure is constituted by the "The Affordability Index" which is expressed as a formula in the following manner:

$$\frac{\text{Total User Charges}^* + (\text{Total Mill Levy}^{**} \times \text{Avg Res Value}^{***})}{\text{MHI}^{***}}$$

\* Data provided by applicants including the amount of increase if the proposed improvement project is implemented.

\*\* Total city, county, and education mills as applies to each jurisdiction calculated to the most specific degree possible based on available data from the Montana Tax Foundation and school district data.

\*\*\* Average appraised residential value based on county data as calculated by the MT Dept. of Revenue as of November 1993.

\*\*\*\* Using U.S. Census data provided with application guidelines for cities and counties, and calculated for districts using more detailed U.S. Census data.

Use: The affordability index provides a comparison among applicants of the total costs of local government, including infrastructure, education, and general services, measured against applicants' median household income (the standard relative measure of household economic well-being or ability to pay).

Qualifications or Limitations: The affordability index is the best common measurement among applicants of all jurisdiction types and the range of eligible projects. For that reason, it was given the greatest weight among the three ranking measures. The indicator presents difficult data collection challenge because of the wide variations in taxation practices and authority among cities, counties, and districts. The computation relies on available data, some types of which provide more detail by applicant type than others. In that regard, the weakest link in the data chain is the average appraised value of residential parcels, which was based on information prepared by the Department of Revenue for the Governor's Taxation Advisory Council in November, 1993, and is available only at the county level. The possible result of using this data set is a disparity in the appraised value used in the ranking analysis versus actual appraised values for towns, districts, or other places within any particular county.

*Indicator 3) How will financial need among applicants be impacted as a result of grant award decisions?*

Computation: The following formula and assumptions are expressive of the analysis:

$$\frac{\text{Monthly Debt Service per Customer if Grant Request Becomes a Loan}}{\text{MHI}}$$

**Loan amount:** = amount of grant request

**Loan terms:** 20 years, 6.0 percent, 10% reserve and 125% rate coverage for enterprise system projects; 0% reserve and 0% rate coverage for general obligation system projects

**Number of Customers:** *For enterprise system projects* = # of residential households divided by .8 (assumes that residential households pay 80% of total charges); *For general obligation systems* = # of residential households divided by .41 (assumes, based on a calculated statewide average, that residences and farmsteads pay 41% of property taxes.)

**MHI:** From U.S. Census tables for cities and counties and as computed for Indicator 1 (above) for districts

The indicator provides a comparative ranking of the impact that would be felt by households in the applicant jurisdiction if the jurisdiction borrowed funds to implement the proposed project instead of receiving a grant in the amount requested. The measure results in a calculation of the increased monthly amount of taxes or charges that would be levied on individual households to pay costs of debt service, divided by the MHI for the applicant

jurisdiction. (Dividing the monthly rate or tax increase by MHI provides a measure of households' ability to pay the increase.)

Use: This indicator is designed to be the best project-oriented common denominator to measure changes in financial need resulting from program award decisions. Use of this indicator is based on the conclusion that, if it is relevant to competitively measure the relative economic condition of households in an applicant jurisdiction (Indicator 1) and the relative amount of local government costs as a percent of MHI (Indicator 2), then it is relevant to measure changes that will occur in the financial need situation as a result of decisions regarding grant awards. The measure is expressed as a percent of MHI (x100) to reflect a burden of increased costs in terms of households' ability to pay.

Qualifications of Limitations: Use of the measure requires the assumption that applicants would borrow funds if the grant request was rejected - this may or may not be the case and will overstate the benefit for applicants that would not do the project without grant funds, and for those that would utilize other sources not disclosed in the application. Also, the indicator relies on three relatively simple variables (the amount of the grant request, the number of households in the applicant jurisdiction, and the MHI of the applicant jurisdiction) to determine relative scores. On that basis, jurisdictions that have smaller populations, greater economic burden per household, and which request greater grant amounts are favored by the indicator.

#### **Debt Capacity and Gap Analysis**

Debt capacity analysis was conducted based on the assumption that grants should be awarded in amounts above the level of financing that can reasonably be supported by debt. In that regard, this indicator is intended to assist program staff in deciding whether an award is justified (in spite of, or in support of, an applicant's score in the competitive ranking process) and the appropriate amount of an award. Two types of debt capacity analysis were utilized: Debt per Household Analysis and Target Rate Analysis.

##### *Debt per Household Analysis*

A computation of remaining debt capacity based on Debt per Household Analysis was done for all applicants according the following questions, assumptions, and formulas:

- What is total debt per household compared to the allowable maximum? (Maximums of \$2,250 per household were used for water and wastewater systems and \$1,000 per household for general obligation systems (based on an extrapolation of Moody's medians for county debt). No calculation was made, because no maximums were available, for enterprise systems other than water and wastewater.

The following formula was used to compare current debt with the allowable maximum:

$$\frac{\text{Allowable Max}}{\text{per household}} - \frac{\text{Current Debt}}{\text{per household}} = \frac{\text{Remaining Allowable Debt}}{\text{per household}}$$

- What debt capacity remains for the system based on debt per customer? The following calculation applies:

Remaining Allowable Debt per Household x Number of Households = Remaining Debt Capacity (Remaining capacity was adjusted downward to account for a 10 percent debt reserve amount applicable to enterprise systems. No debt reserve was assumed to be applicable to general obligation systems.)

Target Rate Analysis: Target rate analysis is relevant only to local government systems for which information can be obtained in regard to costs distributed among users, such as is the case with user rates for water and wastewater systems. A computation of remaining debt capacity based on Target Rate Analysis was done for all applicants according the following questions, assumptions, and formulas:

- The following example systems were utilized to build statewide average target rates for improved water and wastewater systems.

#### IMPROVED WATER SYSTEMS

Small Systems:	Large Systems:
	Helena \$38.18 per month
	Bozeman \$25.91 per month
	Billings \$26.76 per month
	Kalispell \$20.28 per month
Small Systems Average	Great Falls \$22.93 per month
Based on RECDS	Butte-Silver Bow \$42.48 per month
Target = \$25.00 per month	AVERAGE \$29.42 per month

Small and Large System Average = \$27.00 (rounded to the nearest \$.50)  
**Target Water Rate = \$27.00 x 12/\$22,988 (Statewide MHI) = 1.41% of MHI**

#### IMPROVED WASTEWATER SYSTEMS

SMALL SYSTEMS:	LARGE SYSTEMS:
Jackson \$ 8.50 per month	Kalispell \$19.05 per month
Hobson \$11.00 per month	Helena \$ 9.84 per month
Fort Benton \$21.50 per month	Bozeman \$11.41 per month
Wolf Point \$ 8.63 per month	Billings \$11.19 per month
Evergreen \$36.00 per month	Great Falls \$13.24 per month
Somers \$42.00 per month	Butte-Silver Bow \$ 7.50 per month
AVERAGE* \$19.28 per month	AVERAGE \$12.04 per month

\*Calculated excluding the highest and lowest rates

Small and Large System Average = \$15.50 (rounded to the nearest \$.50)  
**Target Wastewater Rate = \$15.50 x 12/\$22,988 (Statewide MHI) = .81% of MHI**

Note that in the case of improved wastewater systems, that small system average is much greater than the average for large systems. It is expected that is data for small improved water systems was available, the same pattern would become apparent. Because of the limited amount of data available, such widely divergent averages were not deemed to be justified as the basis for target rate analysis. Also, rates for small systems appear to be much more volatile than rates for large systems. This suggests that other factors besides system size are influential on rate patterns. Therefore, a differentiation was not established between target rates for large versus small systems. Based on the data displayed above, and Montana's statewide Median Household Income level of \$22,988, statistically justifiable target rates for systems of all sizes can be set at 1.41 percent of MHI for water systems and .81 percent of MHI for wastewater systems.

- What is the user rate versus a target rate calculated using 1.41 percent of MHI for water systems and .81 percent of MHI for wastewater systems? The following calculation applies:

$$\frac{\text{Target Rate}}{\text{per household}} - \frac{\text{Current Rate}}{\text{per household}} = \frac{\text{Rate Payment Capacity}}{\text{per household}}$$

- What debt capacity remains for enterprise systems based on user rates compared to targets? The following calculation applies:

Rate Payment Capacity per Household x Number of HH x 12 = Annual Payment Capacity

- The following loan terms are applied to Annual Payment Capacity to determine the amount of improvements that could be financed:

**Loan terms:** 20 years, 6.0 percent, 10% reserve and 125% rate coverage

**Average Debt Capacity:** The average of debt capacity conclusions formed by the two types of analysis was also calculated. In all cases, debt capacity after implementation of an applicant's project was calculated because many applicants plan to borrow funds to implement their projects, thereby affecting their remaining debt service capacity.

**Gap Analysis:** After having calculated debt capacity, there remains the task of applying it to determinations of gap financing needs. Unfortunately, debt capacity analysis which is possible for this cycle is subject to some weaknesses which limit its utility for such determinations. First, it must be kept in mind that accurately calculating debt capacity is a complex process that relies on the availability of very accurate and thorough knowledge of an applicant's financial situation. The data available for the 1994-95 evaluation process related to current entity debt, number of customers and number of households served by utilities, revenue levels, and other factors, is not sufficiently thorough, uniform, or accurate to be the basis for reliable calculations of specific debt capacity amounts. Consequently, while an amount of debt service capacity can be calculated based on debt per household, target rate analysis and the average of those two measures, these amounts were used only to justify a conclusion that, if the calculated debt capacity amount turns out to be zero or negative, then no debt capacity exists. The data should not justify a conclusion regarding a specific amount of debt capacity.

The method of utilizing the results of specific debt capacity calculations for gap analysis would be to subtract the amount of remaining debt capacity from the amount of the grant request. The remainder would constitute the recommended grant award. But, because the amount of grant awards available from the three programs is quite limited, a relatively small margin between current debt per household and the maximum allowable debt per household, or between current rates and target rates, can account for the full amount of a grant request. In other words, if an applicant has remaining debt capacity, the amount of that capacity is likely greater than the amount of the applicant's grant request.

Three conclusions can be drawn from the evaluation described above: 1) A determination that no debt capacity is available can justify awarding the full amount of grant requests to applicants which demonstrate comparatively greater financial need through the competitive ranking process, provided that sufficient funds are available from within the programs to fully finance all applicants which enjoy those results; 2) If insufficient funds are available to finance all applicants which have comparatively greater financial need and have no debt capacity, grant award decisions can be made based on relative degrees hardship among applicants, using either measures of current need or changes that will occur if the subject project is implemented, and 3) If insufficient funds are available to finance all applicants which have comparatively greater financial need and have no debt capacity, programs have the option of recommending policy changes that would lessen the maximum grant funds available per successful applicant, thereby stretching limited program resources to reach more projects.

### **Matching Funds and Cash Availability**

Data supplied by applicants was reviewed to determine if the amount of matching funds and available cash reserves could be used in the competitive ranking process or in gap financing analysis. It was concluded that the manner by which applicants determined and listed cash availability was sufficiently inconsistent that use of this data is not recommended for financing decisions. A listing of cash reserves as reported by applicants was provided in the analysis as an informational item for program staff.

Also, there were inconsistencies in the manner in which applicants classified local match and other funds to be applied to their projects. A listing of matching funds amounts as stated by applicants is included in the evaluation of request to assist program staff in determining if the applicant is eligible for an award based on the program's minimum matching requirements.

### **Additional Analysis: Water and Wastewater Systems Data**

Because water and wastewater financing applications were by far the most numerous of applicant types, because water and wastewater rates make up a very significant portion of overall governmental costs for all jurisdictions, and because such systems are coming under increasing pressure to make improvements as a result of stringent environmental laws, combined water and wastewater system rate analysis was utilized as an indicator for all applicants for program funds, regardless of the type of improvement that is the subject of a financing request. Also, additional analysis was conducted for individual water and wastewater system applications. Following are the elements of analysis included for water and wastewater systems:

**Analysis of Combined Water and Wastewater Charges for All Applicants versus Combined Target Rates:** The analysis of combined water and wastewater rates was used as a secondary measure (after competitive ranking scores and conclusions regarding debt capacity) to assist in making award recommendations for *all applicants*. The computation of combined user charges for water and wastewater systems was carried out assuming receipt of all uncommitted funds as identified by applicants as a percent of the combined target percentages of MHI (2.22 percent) for the two systems.

(Program staff and other reviewers should be aware that there is some inconsistency in measuring rate *projections* for water and wastewater applicants and *current* rates for other applicants. However, rate *projections* are needed to get a fair picture of what the future will be like for a jurisdiction that is facing an improvement project for a water or wastewater system. Current water and wastewater rates were used for non-water and wastewater applicants assuming that, because a water or wastewater project was not a subject of the application, no project is likely to be implemented and therefore, rates for those systems will not change in the near future. Rate projections *including receipt of all uncommitted funds* for water and wastewater applicants were used because there is much greater likelihood for inconsistencies among data submitted by applicants assuming uncommitted funds are received.)

**Target Rate Analysis for Water and Wastewater Applicants:** This analysis was conducted to provide additional "tie-breaker" information related to water and wastewater system applicants. It entailed a ranking of user charges versus target rates (1.41 percent of MHI for water systems; .81 percent of MHI for wastewater systems) for individual water or wastewater system applicants (with and without uncommitted funds as identified by applicants).

**Debt per Household Analysis for Water and Wastewater Applicants:** This analysis was also conducted to provide additional "tie-breaker" information related to water and wastewater system applicants. It entailed a ranking of debt per household as a percent of MHI for individual applicants for water and wastewater system awards with and without uncommitted funds as identified by applicants).

## CDBG ECONOMIC DEVELOPMENT: RANKING

The CDBG Economic Development projects are based on a project's individual merit, being compared to a set of threshold requirements. These threshold requirements are applicable to full applications for CDBG economic development assistance. They are as follows.

- The nonadministrative CDBG cost per job to be created or retained for low and moderate income persons must not exceed \$20,000 per job. This is determined by dividing the total number of permanent full-time or full-time equivalent jobs for low and moderate income persons to be directly created or retained by the assisted enterprise into the total amount of the nonadministrative CDBG funds requested.
- In order to be eligible for CDBG assistance, the applicant must demonstrate that a minimum of 51 percent of the jobs to be directly created or retained by an economic development project are held by or will be filled with low and moderate income persons; or will be filled by low and moderate income persons after special training planned as part of the project.
- Projects which are determined by the Department to qualify as providing benefits to low and moderate income persons in an area that has a population of at least 51% low and moderate income persons does not have to meet the cost per job or hiring and training requirements. It is strongly recommended that area-wide benefit projects meet these requirements. Applicants must contact the Department for a determination of whether a project qualifies as an area-wide benefit activity.
- Where CDBG funds will be expended to assist a for-profit business, the final debt/equity ratio, calculated from the projected balance sheet after all CDBG financing and all matching and other financing for the project have been received, may be no greater than 5:1. The Debt/Equity Ratio shall be calculated, under Generally Accepted Accounting Principles, according to the following formula:
  - Debt/Equity Ratio = (Total Liabilities - Officer Subordinated Debt) divided by (Total Net Worth - Intangibles<sup>5</sup> + Officer Subordinated Debt)

In preparing its project budget, the applicant is required to identify the sources and uses of funds and the amounts to be contributed by each financial source. To be eligible for consideration, an applicant must assure the participation of at least one, non-CDBG dollar for each dollar of nonadministrative CDBG funds requested (a 1:1 leverage ratio). The non-CDBG funds may come from a variety of sources, such as new investment by a firm to be assisted, bank loans, loans to be repaid to a state or federal loan program, or grants. Applicants should ensure that documentation committing the non-CDBG dollars states that the commitment is contingent on the receipt of CDBG funds.

Applicants must provide a Hiring and Training Plan to ensure preferential recruitment, hiring, and training of local workers, particularly those of low and moderate income. In the event of grant award, the applicant's commitment to the Hiring and Training Plan will be

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<sup>5</sup> "Intangibles" are assets for which no market exists or no market value can be firmly established, such as organizational costs, noncompetitive agreements, and patents (unless a firm cash offer is in hand.)

considered binding. A final hiring plan will be incorporated in the grant agreement between the local government and the Department of Commerce.

### EMERGENCY SHELTER GRANTS PROGRAM

The Montana Emergency Shelter Program distributes funds based upon a formula allocation. The following statute governs Community Services Block Grant funds as well as funds for the Emergency Shelter Grants Program:

Montana Code Annotated, Aug. 1993

53-10-502. Allocation of federal Community Services Block Grant funds. The department shall allocate the state's share of the block grant funds as follows:

- (1) The department may retain 5% for administrative costs and 5% for special projects.
- (2) The balance of the block grant funds after any retention pursuant to subsection (1) must be distributed to human resource development councils that are eligible to receive such funding under 53-10-503 as follows:
  - (a) \$500,000, or if the balance of the block grant funds is less than \$500,000, then the entire balance of the block grant funds, must be equally divided among the eligible human resource development councils; and
  - (b) except as provided under 53-10-504(2), the balance of the block grant funds after distribution under subsections (1) and (2)(a) must be divided among eligible human resource development councils as follows:
    - (i) one-half based upon the population residing within the areas of human resource development councils; and
    - (ii) one-half based upon the low-income population, as that population may be determined under the provisions of the block grant, residing within the areas of the human resource development councils.

History: En. Sec. 2, Ch. 237, L. 1983.

The amount of funds allocated is determined on the basis of poverty and general population in each service area, relative to the poverty and general population of the entire state. Allocations of FY94 HUD ESG funds are as follows:

### 1990 OVERALL AND POVERTY CENSUS DATA

AGENCY	1990 POPULATION PERCENT	1990 POVERTY PERCENT	AVERAGE PERCENT	FY 1994 ALLOCATION
Action for Eastern MT	11.08%	12.37%	11.73%	\$30,966
District 4 HRDC	3.33%	4.24%	3.79%	\$9,996
Opportunities, Inc.	14.13%	14.62%	14.38%	\$37,964
District 6 HRDC	2.77%	3.03%	2.90%	\$7,659
District 7 HRDC	18.00%	15.80%	16.90%	\$44,633
Rocky Mountain Devel. Council	7.35%	5.25%	6.30%	\$16,638
District 9 HRDC	8.18%	8.53%	8.36%	\$22,066

NW MT Human Resources, Inc.	13.48 %	13.59 %	13.54 %	\$35,746
District 11 HRDC	13.35 %	13.98 %	13.67 %	\$36,089
District 12 HRDC	8.33 %	8.59 %	8.46 %	\$22,343
<b>TOTAL</b>	<b>100.00 %</b>	<b>100.00 %</b>	<b>100.00 %</b>	<b>\$264,100</b>

Funds are distributed to each Human Resource Development Council. All HRDCs will submit workplans, budgets and reports (attachments 2A, B & C) outlining which of the allowable activities will be undertaken, how matching funds will be realized and a certification of local approval verifying that budgets and workplans have been reviewed and approved by a representative of the respective jurisdiction. The Department of Social and Rehabilitation Services will execute contracts with all HRDCs within thirty (30) days of HUD approval of this application.

Actual project proposals for ESGP funds have included the renovation of a building (asbestos removal and lead abatement) in order to use it as a transitional facility. Funds are also used to provide medical services to homeless individuals and families, to pay for hotel/motel rooms for homeless individuals, to pay rent or mortgages for homeless families, and to provide support groups, individual counseling, referral, advocacy and transport to homeless persons. Shelters have used funds to pay rent or mortgages, pay utilities, buy furnishings, and pay for maintenance and operational costs of their facilities. ESGP funds are also used to pay security deposits on rent or utilities (or first month's rent) to enable homeless families to move into their own dwellings. The formula allocation follows Montana Annotated Code, pertinent to the Community Services Block Grant Program. Only Human Resource Development Councils are currently eligible for funding.

**MONTANA DEPARTMENT OF COMMERCE**

**HOME INVESTMENT PARTNERSHIPS PROGRAM**

**FEDERAL FISCAL YEAR 1995**

**APPLICATION GUIDELINES**

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January 1995

Alternative accessible formats of this  
document will be provided upon request.



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## GENERAL INFORMATION

The HOME Investment Partnerships Program (HOME) was established under the *National Affordable Housing Act* (NAHA) of 1990. Through the HOME Program, funds are provided to eligible states, local governments and certified Community Housing Development Organizations (CHDOs) for the purpose of developing affordable housing for persons of low and very low income. The HOME Program promotes and advances the goals of the Montana Consolidated Plan and provides a flexible mechanism for involving other federal, state, local, and private resources in the development of affordable housing.

### A. FFY 1995 FUNDS

Montana's FFY 1995 HOME allocation is \$3,387,000. Funds are distributed as shown below:

One-time setaside for the City of Great Falls:	\$	117,000
State Recipient project funds (max):	\$	2,452,500
State Recipient admin funds (max):	\$	196,200
CHDO project funds (min):	\$	451,260
CHDO operating/admin funds (min):	\$	39,240
MDOC admin funds:	\$	130,800

The purpose of the one-time allocation of \$117,000 for Great Falls is to assist the City in fulfilling HUD requirements associated with becoming a HOME participating jurisdiction. In FFY 1995 the City of Great Falls was allocated \$383,000 by HUD. This coupled with the \$117,000 from MDOC will allow Great Falls to achieve the minimum \$500,000 funding level required to become a participating jurisdiction. Beginning in FFY 1995 the City of Great Falls will administer its own HOME program.

All project funds require a 12.5 percent match by the applicant. This is discussed in more detail in the Match section of the guidelines. CHDO's receive a minimum 15% set-aside of each fiscal year allocation.

If there are insufficient applications to allocate all FFY 95 HOME funds or the minimum CHDO 15% set-aside, the remaining funds will be awarded through subsequent application invitations. The system of threshold and ranking criteria described in these *HOME Application Guidelines* will be applied to all applications for FFY 95 HOME Funds.

If any applicant who has tentatively been awarded funds is unable to fulfill the conditions required to secure a final commitment of funds, the tentative grant commitment will be withdrawn. In the event that excess funds above the last ranked

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grant request are available, the funds may be reallocated at the discretion of the Director of MDOC, in a manner consistent with these *HOME Application Guidelines*, so as to best achieve the purposes of the Montana HOME Program. Currently none of these funds exist.

Unallocated funds from the current fiscal year or unexpended or uncommitted funds from previous grant awards, including project income that has been returned to the state, may be reallocated at the discretion of the Director, in a manner consistent with the current adopted *HOME Application Guidelines*. Currently none of these funds exist.

## B. MAXIMUM GRANT AMOUNT

The total amount of HOME project funds requested by an applicant cannot exceed \$500,000, plus an additional amount for administration costs (for CHDO's, admin funds are referred to as operating expenses) limited to 8% of the HOME project funds requested, for a **maximum request of \$540,000**. Administrative funds do not have to be matched by the applicant. For example, if requesting \$500,000 in HOME project funds and \$40,000 in admin funds, only the \$500,000 in project funds would require a 12.5% match of \$62,500.

The total amount of HOME project funds requested by a **joint applicant** at any one time must not exceed \$500,000, plus up to \$40,000 for administrative costs, for a **maximum request of \$540,000**. Both of the joint applicant organizations use up their eligibility when submitting a joint application, and each is thereby ineligible to apply for another HOME grant during the same grant competition.

Applicants should request only the level of funding necessary to carry out their program. Grant requests must be sufficient either by themselves, or in combination with other proposed funding sources, to complete the proposed activities within the contract period. The *contract period* is normally 24 months from the date of the announcement of grant award by MDOC (excluding the timeframe required for monitoring affordability). While \$500,000 and \$40,000 are the maximum amounts of project and administrative funds that may be requested, individual grants will be awarded only in amounts appropriate to the scope of the identified problem, the proposed project activities, and the needs, resources and administrative capacity of the applicant.

**There is no minimum amount for a HOME request.** A community considering a relatively small grant request should consider whether the proposed activities would result in high administrative costs relative to the total program cost.

Applicants are encouraged to contact MDOC to discuss their proposed affordable housing activity prior to submittal of the application.

### C. APPLICATION DEADLINE

Applications must be delivered or postmarked on or before **September 15, 1995**. Please deliver one (1) original and three (3) copies of your completed HOME Application to:

Montana Department of Commerce  
Housing Assistance Bureau  
1424 Ninth Avenue (for hand delivery or parcel delivery service)  
P.O. Box 200545 (for mail delivery)  
Helena, MT 59620-0545

The HOME application form is a separate, unbound document. The application form is also available on *computer diskette*, upon request. The application form includes instructions on how to request and use the computerized application form.

A summary of important dates for the FFY 1995 HOME competition:

<b>Application workshops:</b>	<b>June 5-9, June 12-16, 1995</b>
<b>Application deadline:</b>	<b>September 15, 1995</b>
<b>Awards announced:</b>	<b>December 8, 1995</b>
<b>Admin workshop:</b>	<b>January, 1996</b>
<b>Projects committed by:</b>	<b>February, 1997</b>

### D. ELIGIBLE APPLICANTS

Eligible applicants are limited to units of general purpose local governments (counties, incorporated cities and towns, consolidated city-county governments), and *Community Housing Development Organizations* (CHDOs) certified by MDOC.

**Counties** may apply to use HOME grant funds for activities proposed to resolve housing problems in the unincorporated jurisdiction of a county. A county may apply for a housing project that will include activities within the jurisdiction of an incorporated city or town if the proposed project is intended to benefit all county residents. A county may apply for a grant to fund a project that would assist two or more separate unincorporated communities.

**Municipalities** may apply to use HOME grant funds for projects proposed within the jurisdiction of an incorporated city or town. A municipality may apply for a project

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located outside the city's jurisdiction if it can provide assurances the project area will be annexed within the contract period for the HOME grant.

**Joint Applicants**, two or more eligible local governments, may be submit an application under the following conditions:

- a. the problem to be addressed lies in an area of contiguous jurisdiction;
- b. the solution to the common problem clearly requires cooperative action and the most efficient strategy;
- c. the total amount of the HOME project funds requested does not exceed \$500,000;
- d. both applicants use their eligibility status and are ineligible to apply for another HOME grant during the same grant competition; and
- e. One local government must be designated as the *lead applicant* and must accept full responsibility for application submission and for administrative, regulatory, and financial management during the term of the HOME project.

**Community Housing Development Organizations (CHDOs)** certified by MDOC can apply for HOME grant funds to complete eligible *development, ownership, and sponsorship* housing projects within their jurisdiction. CHDOs must submit a letter from the unit(s) of local government for the political jurisdictions in which the HOME activities are proposed stating the local government is aware of the proposed CHDO housing project, and the project is consistent with local comprehensive plans and zoning ordinances. A CHDO administratively headquartered in an entitlement city may propose a project within its operational area and compete for MDOC HOME funds, as long as the proposed project is not within the entitlement city limits or jurisdiction.

**Public Housing Authorities and Non-Profit Organizations** may manage HOME Programs and own HOME assisted property. The application must be sponsored and officially submitted by a general unit of local government. Non-Profit Organizations must have an Internal Revenue Service 501(c)(3) or 501(c)(4) non-profit designation. If the non-profit is not a certified CHDO, a copy of its Articles of Incorporation and By-laws must be provided as an Appendix to the application.

**HOME entitlement cities** (currently Billings and Great Falls) receive HOME funds directly from HUD, and as such receive and process all HOME applications for projects within the city limits. Entitlement cities are not eligible applicants for MDOC HOME funds.

## **E. NUMBER OF APPLICATIONS PERMITTED PER APPLICANT**

Each eligible applicant may submit only one application in the FFY 95 HOME grant competition. If all available 1995 HOME funds are not awarded through the FFY 95 grant competition, MDOC reserves the right to periodically invite applications for grant funds until available funds have been awarded.

For the purposes of these guidelines, consolidated city-county governments will be considered as two separate jurisdictions: one, the city jurisdiction; and two, the unincorporated jurisdiction of the county. Each may apply separately for HOME funds. The jurisdiction of each will be defined by the city and county boundaries as delineated on the date of consolidation.

A grantee who is currently administering a HOME project will be eligible to reapply for an additional HOME grant if:

- a. the grantee is in compliance with the project implementation schedule contained in its HOME contract with MDOC;
- b. there are no unresolved audit, monitoring, or performance findings for any previous HOME grant awards to the applicant; and
- c. 75% of the previous HOME grant has been drawn down by the application deadline date.

This application process, combined with the grant competition, will insure the statutory requirement of geographic distribution of HOME funds.

## **F. MATCH REQUIREMENTS**

Each HOME applicant must make a matching contribution of twelve and one-half percent (12.5%). The amount of match for the HOME applicant is determined by multiplying the total HOME project funds requested by 12.5%. Applicants may request up to 8% of HOME funds to be used for eligible administrative and operating expenses. These funds **do not have to be matched**.

HOME Funds Requested	\$500,000
Administration Funds Requested (8%)	<u>40,000</u>
	\$540,000
Match Requirement:	
\$500,000 x 12.5% =	\$ 62,500

Remember, administrative and operating fund expenses cannot be used as matching contributions.

The above amounts are *minimum threshold* requirements for match. If the appropriate match requirements are not clearly supported with documentation, your application will not be considered for ranking.

Match may be in the form of one or more of the following--all of the items listed below must be derived from non-federal sources.

- a. Cash contributions;
- b. The value of waived, foregone or deferred taxes, fees, or charges;
- c. The value of land or real property donated or provided at less than its appraised value;
- d. The cost of infrastructure improvements associated with the HOME project;
- e. The reasonable value of any site preparation and construction materials;
- f. Donated or voluntary labor -- check with your HOME staff for the hourly wage rate to use in placing a value on donated labor;
- g. The grant equivalent of a *below-market interest rate* on a project that is not repayable to the HOME Investment Trust Fund (in the amount of present discounted cash value). Applicants are encouraged to contact HOME staff to determine eligibility and the amount of present discounted cash value which could be counted as match when considering this option.
- h. A portion of loans made from bond proceeds issued by a state or local government to finance multi-family and single-family affordable housing projects. For the specifics on the allowable match credit, contact the HOME staff.

The eligible forms of match listed above have unique requirements associated with the match contributions. The applicants are encouraged to contact the HOME Program staff for specific details on the requirements before the applications are submitted.

**EXAMPLE OF MATCH:**

HOME Applicant has an option to purchase property for their project for \$60,000. The appraisal reflects a final value of \$90,000. The difference between the appraised value and the purchase price would be a match contribution of \$30,000.

Appraised value of land	\$90,000
Purchase price	<u>60,000</u>
Difference = <b>MATCH</b>	\$30,000

Other examples of match would include a cash contribution of program income from a federal grant earned after the end of the award period (if no federal requirements govern the disposition of that program income). Included in this category are repayments from closed out grants in these programs:

Urban Development Action Grant Program  
 Housing Development Grant Program, or  
 Rental Rehabilitation Grant Program

The following are examples of forms of contribution that **do not count** toward meeting an applicant's match requirement:

- a. Contributions made with or derived from federal resources or funds, *regardless of when the federal resources or funds were received or expended*. CDBG funds are federal funds for this purpose;
- b. The interest rate subsidy attributable to the federal tax-exemption on financing or the value attributable to federal tax credits;
- c. Owner equity or investment in a project;
- d. Sweat equity; and
- e. Cash or other forms of contributions from applicants for or recipients of HOME assistance or contracts; or investors who own, are working on, or are proposing to apply for, assistance for a HOME-assisted project.

If you have any questions concerning eligible forms of match, please contact the HOME staff at (406)-444-0092.

## G. BUDGET

**Each applicant must submit a proposed budget that is sufficient to insure effective administration and timely project completion.** Budget forms are included as part of the HOME application packet. Guidance on budgeting is available from MDOC.

**The budget must be accompanied by a narrative describing each element of the proposed HOME project activity and related administrative costs. This must include a breakdown identifying the sources and amounts of non-HOME funds and total project cost estimates for each item.**

HOME funds may be used to pay for a variety of eligible costs categorized as development hard costs, acquisition costs, related soft costs, relocation costs, costs related to tenant-based rental assistance, and administrative and planning costs.

a. **Development hard costs** are the actual costs of constructing or rehabilitating housing. These costs include:

Costs to meet the applicable new construction standards of the state and local area and the Model Energy Code for new construction;

**For rehabilitation:**

1. Costs to meet the applicable rehabilitation standards of the state and local area, or to correct substandard conditions and meet, as a minimum, Section 8 Housing Quality Standards;
2. Costs to make essential improvements, including energy related repairs or improvement,
3. Costs for improvements necessary to permit use of the dwelling unit by handicapped persons;
4. Costs associated with the abatement of lead-based paint hazards;
5. Costs to repair or replace major housing systems in danger of failure; and
6. Costs to refinance existing debt secured by a single-family owner-occupied unit when **loaning** HOME funds to rehabilitate the unit, if the overall housing costs of the borrower will be reduced and made more affordable (contact MDOC prior if you are considering this option).

**For both new construction and rehabilitation:**

1. Costs to demolish existing structures and for improvements to the project site that are in keeping with improvements of surrounding, standard projects, and costs to make utility connections;

b. **Acquisition costs** are the costs of acquiring improved or unimproved real property.

c. **Related soft costs** are other reasonable and necessary costs incurred by the owner or the grantee associated with the financing, or development (or both) of new construction, rehabilitation or acquisition of housing assisted with HOME funds. These costs include, but are not limited to:

1. Architectural, engineering or related professional services required to prepare plans, drawings, specifications, or work write-ups;
2. Costs to process and settle the financing for a project, such as:
  - private lender origination fees;
  - credit reports;
  - fees for title evidence;
  - fees for recording and filing of legal documents;
  - building permits;
  - attorney's fees;
  - private appraisal fees;
  - fees for an independent cost estimate; and
  - builder's or developer's fees.
3. Costs to provide information services such as affirmative marketing and fair housing information to prospective homeowners and tenants;
4. Costs of a project audit that MDOC may require with respect to the development of the project;
5. For new construction and substantial rehabilitation:
  - the cost of funding an initial operating deficit reserve, which is a reserve to meet any shortfall in project income during the period of project rent-up (not to exceed 18 months) and which may only be used to pay project operating expenses, reserve for replacement payments, and debt service;
  - any HOME funds placed in an operating deficit reserve that remain unexpended when the reserve terminates must be returned to the MDOC HOME Investment Trust Fund Account.
6. Staff and overhead costs directly related to carrying out the project, such as work specifications, preparations, loan processing inspections, and

other services related to assisting potential owners, tenants, homebuyers may be charged to project costs if the project is funded and the individual becomes the owner or tenant of the HOME assisted project; and

7. Costs for payment of impact fees that are charged for all projects within a jurisdiction.
- d. **Relocation costs** include relocation payments and other relocation assistance for persons displaced by the project. Contact the HOME staff if you are considering a project involving relocation costs.
- e. **Administrative costs** are reasonable administrative and planning costs. These costs cannot exceed 8% of the HOME project funds requested. Administrative costs include:
  1. General management, oversight and coordination costs. Reasonable costs of overall program management, coordination, monitoring and evaluation including:
    - Salaries, wages and related costs of the Grantee's staff directly related to carrying out the project;
    - Travel costs incurred for official business in carrying out the program;
    - Administrative services performed under third party contracts or agreements including such services as general legal services, accounting services and audit services;
    - Other costs for goods and services required for the administration of the program, including such goods and services as rental or purchase of equipment, insurance, utilities, office supplies and rental and maintenance of office space; and
    - costs of administering a tenant-based rental assistance program.
  2. Staff and overhead costs directly related to carrying out the project may be charged as administrative costs or as project costs.
  3. Costs incurred in the provision of information and other resources to residents and citizen organizations participating in the planning, implementation or assessment if projects assisted with HOME funds

4. Costs associated with activities that affirmatively further fair housing
5. Indirect costs may be charged to the HOME program under a cost allocation plan prepared in accordance with OMB Circulars A-87 or A-122 as applicable.

f. **Operating expenses** are eligible costs in an amount up to 8% of the total HOME grant, for FFY 1995. These funds can be used for the operation of a Community Housing Development Organization (CHDO). Such costs include salaries, wages, and other employee compensation and benefits; employee education, training, and travel; rent; utilities; communication costs; taxes; insurance; and equipment, materials and supplies. A CHDO may not receive HOME funding for any fiscal year in an amount that provides more than 50 percent of the CHDO's total operating expenses in that fiscal year, or \$50,000, whichever is greater.

Reimbursement of any or all costs incurred is contingent on the completion of an *Environmental Review Record*, the issuance of a *Release of Funds* by MDOC, and the execution of a grant agreement between MDOC and the grant recipient after all special conditions of the contract have been met. In the event a grant agreement is not executed or the applicant is unable to comply with the terms and conditions of the agreement, any costs incurred will be the responsibility of the applicant.

### **Suggestions for Applicants**

**Applicants should be especially careful to see that all potential costs for carrying out the project have been identified prior to submitting the application.** Consideration should be given to costs such as:

- day-to-day project management activities specific to the type of program proposed;
- assuring compliance with state and federal requirements;
- preparation of reports;
- financial management and bookkeeping;
- legal services;
- travel for project-related training;
- conducting the environmental review and publishing required legal notices;
- appraisals;
- acquisition of land or easements;
- Davis-Bacon (prevailing wage) requirements which may increase construction costs;
- construction inspections;

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- audits; and
- relocation costs.

## H. CITIZEN PARTICIPATION

Applicants must provide citizens adequate notice and opportunity for involvement in the planning and development of HOME applications. Applicants must:

- a. Hold one public hearing, at a minimum, before submission of the application. The purpose of the public hearing is also to solicit public comment on community housing needs and priorities and to discuss the HOME program. The purpose of the public hearing is also to give citizens and potential beneficiaries of the proposed project adequate opportunity to review and comment on the community's HOME application before it is submitted
- b. Submit a record of any hearings the application for HOME funds, along with copies of the public notices for the hearings or affidavits of publication for the notices. A verbatim record is not necessary; the names of persons who attended and a summary of comments by local officials and citizens is sufficient.

**The public hearing must be held not more than two months prior to the date of application.**

Formal public notice must be provided before public hearings are held [see sample format, below, *Sample Format for Public Notices*]. Hearings must be held at times and locations convenient to potential beneficiaries and with accommodations for the handicapped.

### Sample Meeting Notice

The (*Governing Body of Applicant*) will hold a public hearing on (*day*), (*date*), (*time*), in the (*building*) at (*place*), for the purpose of obtaining views of the residents of the county (*or city or town*), especially low and very low income residents, regarding the community's housing needs and priorities of the (*name of local government*) for housing improvements. The (*grantee*) is considering submitting an application to the Montana Department of Commerce for a HOME Investment Partnership Program Grant, and wants to obtain public comment on the needs of the community. The (*Governing Body*) will discuss the purpose of the HOME Program and the variety of activities eligible for funding. At the public hearing everyone will be given the opportunity to express their opinions regarding the (*city or county or grantee's jurisdiction*) needs and the type of projects which should be considered. Comments may be given orally at the hearing or submitted in writing before (*time and date*).

Anyone who would like more information or who wants to submit suggestions should contact (*person*), (*title*), (*telephone number*). A copy of the HOME Grant Application Guidelines are available for review at (*location*) during regular office hours.

## I. PROJECT ACTIVITIES ELIGIBLE FOR HOME FUNDS

The following are activities eligible for funding under Montana's HOME Program. The program describes activities that may be included in local HOME program applications. Projects may consist of one or more activities.

- a. acquisition of property (acquisition of vacant land or demolition may be undertaken only with respect to a particular housing project that will be used to provide affordable housing);
- b. new construction;
- c. reconstruction, or moderate or substantial rehabilitation of non-luxury housing, including real property acquisition, site improvement, conversion, and demolition;
- d. tenant-based rental assistance, including security deposits;
- e. relocation expenses of any displaced persons, families, businesses, or organizations;
- f. assistance to first homebuyers;
- g. transitional housing and single room occupancy (SROs); and
- h. project administration.

Housing that has been issued an initial certificate of occupancy or equivalent document within a one-year period before HOME funds are committed to the project is considered *new construction*.

## J. PROJECT ACTIVITIES INELIGIBLE FOR HOME FUNDS

Home funds may not be used for the following activities:

- a. to provide a project reserve account for replacements, or a project reserve account for unanticipated increases in operating costs or operating subsidies;
- b. to provide tenant-based rental assistance for the special purposes of the existing Section 8 program, including the activities specified in 24 CFR § 791.403(b)(1); or to prevent displacement from projects assisted with rental rehabilitation grants under part 511 of the *Code of Federal Regulations*;

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- c. to provide nonfederal matching contributions required under any other federal program;
- d. to provide assistance authorized under 24 CFR part 965 (PHA-Owned or Leased Projects, Maintenance and Operation);
- e. to carry out activities authorized under 24 CFR part 968 (Public Housing Modernization);
- f. to provide assistance to eligible low-income housing under 24 CFR part 248 (Prepayment of Low Income Housing Mortgages); and
- g. to provide assistance (other than tenant-based rental assistance or assistance to a first-time homebuyer to acquire housing previously assisted with HOME funds) to a project previously assisted with HOME funds. If the project has been completed within one year additional HOME funds may be used. The amount of HOME funds in the project may not exceed the maximum per-unit subsidy amount.

If you have questions regarding the eligibility of, or special requirements that may apply to a particular activity under consideration in your community, contact the HOME Program staff.

## **K. MIXED USE/MIXED INCOME PROJECTS**

Projects classified as *mixed income* or *mixed use* may be eligible HOME activities if they meet certain criteria.

- a. **Mixed Income Projects.** A *mixed-income* project refers to a project containing housing containing less than 100 percent of the units qualifying as affordable housing. For example, a HOME project activity may include the new construction of 10 rental units, 5 of which qualify as HOME units. The HOME income, rental, and affordability criteria would apply only to the 5 structures assisted with HOME funds.
- b. **Mixed-Use Projects.** The term "mixed-use" refers to housing in a project that is designed in part for uses other than residential uses (referred to in some cases as common areas). A project that contains facilities for the exclusive use of the project residents and their guests, does not constitute a mixed-use project.

## L. PUBLIC OR PRIVATE SECTOR COMMITMENTS

If other public or private sector resources are to be involved in a proposed HOME project, the applicant will be ranked according to the level of commitment documented in the application. Such commitments may be binding, contingent only upon the award of HOME funds for the project.

Within six months of the announcement of the tentative grant award, applicants must have completed all necessary arrangements to assure all resources, HOME and non-HOME, are available for commitment to and participation in the project.

**No HOME funds will be released to grant recipients until all commitments for all other resources (financial and otherwise), as stated in the application are available to complete the project. No MDOC program administration funds may be obligated prior to execution of a contract between MDOC and the applicant.**

## M. PROGRAM INCOME FROM HOME ACTIVITIES

*Program income* is any income earned from HOME supported activities such as repayments of principal and interest from loans for housing rehabilitation. If authorized by MDOC, program income may be retained at the local level to be used for housing activities eligible under the HOME program. An applicant requesting to retain program income from housing activities must submit, with its application, a plan for the ongoing use and financial administration and planned use of program income. **The Program Income Plan must be approved by MDOC prior to the expenditure of any HOME funds.**

**CHDOs are not allowed to retain HOME program income.** MDOC and CHDOs can, however, enter into a contract for use of program income generated through HOME-assisted activities through the period of affordability.

## N. DOCUMENTATION

Each applicant should identify the source of supporting data for any statements made in the application. If local research was conducted to support the application, such as a survey of housing conditions or income levels, **the survey methodology must be described and a copy of the survey form with a composite summary of all responses submitted with the application.**

All original documentation must be retained by the applicant and made available for review in the event that the application is tentatively selected for funding. Inadequate documentation to substantiate information contained in the application will be considered sufficient grounds for MDOC to re-rank an application, and if necessary, to withdraw a tentative grant award.

## O. MAPS

**Each application must include, when appropriate, clearly legible maps that illustrate the applicant's political jurisdiction and the proposed activity and/or project area.** Applicants are encouraged to submit maps at the minimum size and scale that will clearly convey all required information. The map(s) should depict the location of all housing units to be assisted with HOME funds within the project area, as well as the locations of structures to be demolished or areas where clearance activities will occur.

Census block maps identifying the census boundaries within each county may be purchased from the Census and Economic Information Center, Montana Department of Commerce, PO Box 200501, Helena, Montana 59620-0501, (406) 444-2896. There is a \$4.00 fee for each map ordered.

Maps of Montana's counties, cities and towns can also be ordered from the Montana Department of Highways, Planning and Statistics Bureau, 2701 Prospect Avenue, PO Box 201001, Helena, Montana 59620-1001, (406) 444-6119.

## P. CERTIFICATIONS FOR APPLICATION

**Each applicant must agree to comply with all applicable federal and state requirements in implementing their proposed HOME program, if selected for funding. (The major federal requirements that require certification for compliance are included in the FFY 95 HOME application form.)** A copy of the *Certifications for Application*, signed by the chief elected official or executive officer of the applicant and dated within six months prior to the date of application, must accompany the application for HOME funds.

## **Q. RESOLUTION TO AUTHORIZE APPLICATION**

Each application for HOME funds must be accompanied by a copy of the resolution or motion duly adopted or passed as an official act by the applicant's governing body within six months of the date of application. The resolution or motion shall:

- a. authorize the submission of the application;
- b. state the applicant's willingness to abide by the federal requirements described in the HOME Certifications for Application; and
- c. authorize the applicant's chief executive officer to act on its behalf in regard to the application, and to provide such additional information as may be required.

A sample format for this resolution is included as part of the HOME Application form.

**MDOC will assume the applicant has determined its own legal authority under Montana law to apply for the grant and to conduct the activities proposed in the application.**

## **R. MANAGEMENT PLAN**

As part of its application, each applicant must submit a Management Plan that, at a minimum:

- a. outlines the management of the HOME program, including financial management of grant funds, compliance with state and federal requirements, and effective and timely start-up and completion of project activities;
- b. identifies the person or persons who will be responsible for day-to-day grant management (or position descriptions developed for persons who will be hired) and any contracted services to be utilized in carrying out the project;
- c. includes a quarterly schedule for program implementation that identifies the timeframes for major activities and expenditures, and the coordination of non-HOME resources for the project;
- d. addresses potential environmental concerns; and
- e. if more than a single funding source or organization is involved, a description of how these will be coordinated and directed and when these funds or assistance will be available.

To be awarded a grant under the HOME Program, an applicant must have the management capacity to undertake and satisfactorily complete the program it is proposing within 24 months of grant award.

**In all cases, the applicant must assume direct responsibility for proper financial management of the awarded HOME funds.**

## **S. ENVIRONMENTAL IMPACT**

HOME projects are subject to the National Environmental Policy Act and the Montana Environmental Policy Act. An Environmental Review considers the possible adverse impacts a project would have on the surrounding environment. Successful applicants will be responsible for an environmental review. Careful consideration of the Environmental Issues section on page two of the application will acquaint the applicant with major environmental concerns that must be addressed in the environmental review. A form entitled *Checklist of Environmental Considerations for HOME Applications* is also available from MDOC to further assist potential applicants to evaluate possible environmental impacts of projects under consideration. CHDOs cannot complete environmental reviews by themselves, and must ask their local governments to be the lead organization to complete environmental reviews for CHDO-sponsored projects.

## **T. DISPLACEMENT/RELOCATION**

HOME projects are subject to relocation requirements under the *Uniform Relocation Act* (URA). URA requirements are triggered whenever displacement occurs as a direct result of rehabilitation, demolition, acquisition, or other activities of a HOME-assisted project.

Communities planning HOME projects that may involve displacement of local residents or businesses should contact MDOC for guidance on the federal requirements that will apply, prior to submitting their HOME application.

## **U. YEAR-AROUND OCCUPANCY**

Housing units in which HOME grant funds are invested must be intended for year-around occupancy by low and very low income families.

## **V. PERIOD OF AFFORDABILITY**

The term *affordability*, as used in the HOME Program, relates to the cost of housing both at initial occupancy and over established timeframes. *Period of Affordability*

refers to the length of time the units must remain affordable. The period of affordability varies based upon the type of HOME activity (rental assistance or homeownership assistance):

- a. For *new construction or acquisition of newly constructed housing*, the minimum period of affordability is **20 years**.
- b. For *rehabilitation or acquisition of rental housing or for the acquisition of housing under a Homebuyer Program*, the period of affordability is:
  1. if an average of under \$15,000 of HOME funds is spent per unit, the minimum period of affordability is **5 years**;
  2. if an average of \$15,000 to \$40,000 of HOME funds is spent per unit, the minimum period of affordability is **10 years**;
  3. if an average of over \$40,000 of HOME funds is spent per unit, the minimum period of affordability is **15 years**.
- c. For *projects financed with a mortgage insured by HUD* (including multifamily housing), the minimum period of affordability is the term of the **HUD-insured mortgage**.
- d. There is **no period of affordability** attached to *Tenant-Based Rental Assistance*. This assistance can be provided for up to two years. Affordability is ensured by limiting the maximum subsidy to the applicable **fair market rent**.

## W. MOBILE HOMES/MANUFACTURED HOUSING

HOME funds can be used to assist manufactured homes. Most of the HOME eligible activities apply to manufactured homes, except new construction. New construction is not an eligible activity with regard to a manufactured home because a manufactured home is a unit constructed at the factory and transported to the site.

**Eligible activities involving a manufactured home must meet four important conditions.** These conditions are:

- a. the manufactured home must be situated on, and anchored to, a site-built permanent foundation (except when assisting existing unit owners who rent the lot on which their unit sits);
- b. the manufactured home must accommodate, and be connected to, utility hook-ups;

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- c. the manufactured home (if produced after June 15, 1976) must meet the construction standards of 24 CFR § 3280; and
- d. the acquisition or rehabilitation of the manufactured home must meet the appraised value standards as established in 24 CFR § 92.254 (a)(1)(i) and (ii).

Applicants with questions concerning a manufactured home as an eligible property under the HOME Program should contact MDOC for further guidance.

## X. SPECIAL NEEDS

Permanent housing for disabled homeless persons, group or transitional housing, and single-room occupancy (SRO) housing are included as eligible project activities in the Montana HOME Program.

- a. Group housing is housing occupied by two or more single persons or families consisting of common space and/or facilities for group use by the occupants of the units, and (except in the case of shared one bedroom units) separate private space for each family. A group home is considered a one-unit project. A one unit project consists of separate bedrooms, which may be shared, and shared kitchen, dining, sanitary and/or other common area facilities. All occupants of single unit HOME-assisted projects, except supportive service providers, must be low-income.

Depending on the size of the project, grantees may wish to meet the standards for a single room occupancy project by the installation of either or both sanitary or food preparation facilities. Doing this would create individual units, thereby increasing the number of units that may be assisted with HOME funds.

- b. Single room occupancy (SRO) housing is housing consisting of single room dwelling units that are the primary residence of its occupant or occupants. The unit must contain either food preparation or sanitary facilities if the project consists of new construction, conversion of non-residential space, or reconstruction. For acquisition or rehabilitation of an existing residential structure, neither food preparation nor sanitary facilities are required to be in the unit. If the units do not contain sanitary facilities, the building must contain sanitary facilities that are shared by tenants. SRO's do not include facilities for students. All occupants of HOME-assisted units must be low-income.
- c. Transitional housing means housing that is designed to provide housing and appropriate supportive services to persons, including (but not limited to) deinstitutionalized individuals with disabilities, homeless individuals with disabilities, and homeless families with children. In addition, the purpose of

allowing transitional housing as an eligible activity under the HOME program was to facilitate the **movement** of individuals and families to independent living within one month to two years.

- d. Elder Cottage Housing Opportunity (ECHO) housing units are small, free-standing, barrier-free, energy-efficient, removable units designed to be installed adjacent to existing single-family dwellings.

## PROJECT INFORMATION

### A. NEW CONSTRUCTION

New construction is an eligible HOME activity for both rental and homebuyer (homeowner) housing. Requirements for newly constructed rental housing assisted with HOME funds are the same as those for rental rehabilitation, except for the period of affordability. All new construction projects incur a 20 year period of affordability.

All new construction housing units must meet applicable property standards, Section 8 Housing Quality Standards, the latest version of the Model Energy Code, and local ordinances and building codes. When constructing 12 or more units in a single project, federal labor standards (Davis-Bacon wage requirements) apply.

The purchase price and appraised value after new construction must not exceed 95% percent of the median purchase price (FHA 203(b) limits) of the area for the type of property being assisted (see **APPENDIX 3, Mortgage Limits Table**).

Site and neighborhood standards must be met as specified in federal regulations. The proposed site must be suitable from the standpoint of facilitating and furthering full compliance with applicable provisions of Title VI of the *Civil Rights Act of 1964*, the *Fair Housing Act*, and Executive Order 11063 (discrimination prevention). Generally, proposed new construction sites must not be located in an area of minority concentration, and sites must not be located in a racially mixed area if the project will cause a significant increase in the proportion of minority to non-minority residents in the area.

### B. TENANT-BASED RENTAL ASSISTANCE

Tenant-based rental assistance provides funds to subsidize housing needs of low and very low income families. Assistance must be *tenant-based* versus project-based. Tenant-based rental assistance may be provided through a contract to an owner who leases a unit to an eligible family, or directly to the family. A grantee may also use HOME funds for tenant-based rental assistance to provide loans or grants to very low and low income families for security deposits for rental of dwelling units, in addition to other tenant-based rental assistance the grantee provides.

At least 90% of the families assisted must have an annual income that does not exceed 60% of area median family income; the remaining 10% can be used to assist families that are above 60%, but no higher than 80% of area median income. **Appendix 4, HOME Income Limits**, includes income limits for various sizes of families earning 60% or 80% of area median income, for the different cities and counties in Montana.

Rental housing units must meet Section 8 Housing Quality Standards and rent for a reasonable amount, compared to rents charged for comparable unassisted units. The maximum subsidy allowed is the *Fair Market Rent* applicable to the area for the number of bedrooms in the housing unit. See **Appendix 5, HOME Program Rents**.

Successful HOME applicants may require the family to use their tenant-based assistance only within the applicant's jurisdiction boundaries, or by permit outside its boundaries.

The **minimum tenant contribution** for rent and tenant-paid utilities is set at *30% of adjusted gross annual income*. See **Appendix 1, HOME Program Definitions for the HOME Program**, to calculate adjusted gross annual income for individual families.

For applicants planning a tenant-based rental project with HOME funds, an example is provided for estimating the amount of tenant-based rental assistance funds the program would need for a one-year program period. **The incomes of tenants receiving rental assistance must be recertified at least annually.** If a tenant's income goes above the Section 8 lower income limit at recertification, assistance must be terminated.

#### Sample Method for Estimating Subsidies

Applicant is proposing a 10-unit HOME tenant-based rental assistance project:	
\$10,000	Expected income of each HOME family (40 percent of median)
-1,000	Less: expected adjustments to income (2 children or elderly household deduction or medical expenses)
\$9000	Adjusted gross annual income
\$750	Adjusted monthly income ( $\$9000/12$ )
\$225	Average total tenant payment ( $\$750 \times .30$ )
\$550	Example Section 8 payment standard
-225	Less: average total tenant payment
<b>\$325</b>	<b>Average monthly subsidy</b>
<b>Annual subsidy requirement: <math>\\$325 \times 12 \text{ months} \times 10 \text{ recipients} = \\$39,000</math></b>	

Applicants will develop policies and procedures describing how they will administer a Tenant-Based Rental Assistance program with HOME funds. Applicants are encouraged to seek assistance from local housing authorities and local nonprofit

organizations that administer housing programs. Contracts, lease agreements, income certification worksheets, and other example documents are available from the MDOC HOME staff.

## C. REHABILITATION

There is no limitation on the number of units eligible per project, and housing units are not subject to preferences for unit size or style. Rental housing units can be either privately or publicly owned. Rehabilitation projects involve rental housing, owner-occupied housing or, in some cases, an owner-occupied rental structure and can be combined with other project activities.. For example, a HOME applicant may rehabilitate a home and provide assistance to a low income person purchasing the unit. However, HOME funds cannot be used for an emergency repair program.

Rehabilitated units are subject to an applicable period of affordability that is linked to the amount of HOME funds invested per unit. The length of time that income and tenancy restrictions may apply are as follows:

<u>HOME Rehabilitation Costs Per Unit:</u>	\$0 - \$15,000	5 years
	\$15,000-\$40,000	10 years
	\$40,000 and over	15 years
	(New Construction)	20 years

HOME applicants should clearly demonstrate how their proposed rental rehabilitation program will be designed to meet requirements regarding **affordable housing** and **income targeting**. To qualify as **affordable housing** under the HOME program, rental housing units must meet both target criteria of tenant income limitations and rent limitations. In addition, in order to meet HOME **income targeting** requirements, at least **90 percent** of the units must benefit households whose incomes do not exceed **60 percent** of the median income for the area. Thus a **maximum of 1 in 10 units** may be occupied by families in the **60 percent to 80 percent** median income bracket. These requirements suggest that funds should be targeted narrowly for *very low income* renters.

Funded HOME applicants will be required to prepare written rehabilitation standards before HOME funds can be utilized in any rehabilitation activity. At a minimum all properties must meet the Section 8 Housing Quality Standards, the *Fire Administration Authorization Act of 1992*, local housing codes, and local zoning ordinances. In addition substantially rehabilitated units (greater than \$25,000 per unit) must comply with cost effective energy efficiency conservation standards.

Mixed use and mixed income projects may also be undertaken. However, mixed use projects must have at least 51 percent of the building square footage for residential

rental use and housing funds may only be used for the housing portion of the total costs. For mixed income projects, housing funds may only be used for that portion of eligible costs for the units to be occupied by lower income tenants.

Under most circumstances, housing funds may not be used in projects assisted under Title VI of the *National Affordable Housing Act, Public Housing* projects or for projects funded under the *Rental Rehabilitation Program*.

Conversion of an existing structure to affordable housing qualifies as rehabilitation, unless the conversion entails adding one or more units beyond the existing walls. If this occurs, the project is new construction.

a. Rental Rehabilitation

The HOME Program allows rehabilitation of rental housing that will be affordable for and occupied by low and very low income tenants. Project activities involving rental housing might include new construction, rehabilitation of existing structures, or acquisition of existing structures or property.

The requirements of affordable housing and income targeting suggest that HOME funds should be targeted narrowly for very low income renters. Only a few renters with incomes approaching 60 percent of the median, and even fewer with incomes up to 80 percent of the median, can benefit from HOME rental assistance funds.

**In projects of three or more housing units, no less than 20 percent of the HOME-assisted units must be occupied by very low income tenants (households with incomes at or below 50 percent of median).**

In determining the monthly rent that may be charged for a project, the applicant must use the standard High and Low HOME program rents. If low home rents do not work for you contact your HOME Program Specialist. The HOME applicant must subtract monthly allowance for any utilities and services that will be paid by the tenant (excluding telephone). **APPENDIX 5, HOME Program Rents**, includes listings of Section 8 Fair Market Rents, low HOME rents, and high HOME rents respectively. Regardless of the amount of HOME funds spent per unit or the income levels of the neighborhood, the maximum after-rehabilitation/acquisition/construction rents are fixed by the HUD limits. Any rents charged thereafter may be increased only according to changes in HUD established rents.

The table below provides an example of high and low HOME rent determinations, with adjustments made for utility expenses for cases where the utilities are not included in the rent. Applicants must use the utility allowances prepared by their local Public

Housing Authority. In the absence of a Public Housing Authority, utility adjustments proposed by applicants must be approved by MDOC.

#### **Maximum Rent Examples**

\$450 High HOME Rent	\$350 Low HOME Rent
-25 Allowance for heat & water	-25 Allowance for heat & water
\$425 Maximum allowable HOME Rent for 80% of units	\$325 Maximum allowable HOME Rent for 20% of units

Applicants should keep in mind that long-term controls on rent and occupancy begin upon completion of the HOME rental rehabilitation project, and continue during an affordability period that may be as short as 5 years or as long as 15 years.

Enforceable agreements are required in the HOME Program for rental rehabilitation projects. The agreement is legally binding and will ensure the property will remain affordable without regard to the term of any mortgage or the transfer of ownership. Below is a list of some special provisions included in enforceable agreements between HOME applicants and property owners, or between landlords and tenants.

## HOME Rental Housing Enforceable Agreements

ITEM	PARTIES TO AGREEMENT	DOCUMENT
Rent controls	Owner--HOME Applicant	Deed restriction or covenant running with the land
Occupancy controls	Owner--HOME Applicant	Deed restriction or covenant running with the land
Annual income certification	Owner--HOME Applicant	<ul style="list-style-type: none"> <li>• Written agreement with owner requiring recertification</li> <li>• Annual certification to MDOC that incomes have been checked and meet program requirements</li> </ul>
Annual rent reviews	Owner--HOME Applicant	<ul style="list-style-type: none"> <li>• Written agreement with owner</li> <li>• Annual certification by applicant to MDOC that rents are within limits</li> </ul>
Fair housing	Owner--HOME Applicant	Written agreement with owner
Housing quality standards reviews	Owner--HOME Applicant	Written agreement with owner
Income reviews	Owner--Tenant	Lease
Affirmative marketing	Owner--HOME Applicant	Written agreement with owner

The HOME Program *Policies and Procedures* submitted with the application should include a proposed owner-tenant agreement. Examples of a deed restriction agreement and owner-tenant agreement are available from the HOME staff..

b. Owner Occupied Rehabilitation

Rehabilitation of single family owner-occupied housing has been an activity of local housing and community development programs for many years. Following are requirements regarding the rehabilitation of single family, owner-occupied housing.

- To be considered eligible to participate in HOME owner-occupied rehabilitation, a homeowner must have annual gross income that does not exceed 80 percent of the area's median income. **The HOME Program uses the Section 8 definition of *annual income*.**

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- The homeowner must own the property and must also occupy the property as his or her principal residence. Properties considered for owner-occupied rehabilitation must qualify as single-family properties.
- The income of individual homeowners and the total monthly payment they can afford will guide the levels of assistance provided. Conventional home improvement loans generally do not allow for adjustments in interest rates and have short terms (typically 5 to 10 years). By adjusting either the term or interest rate of loans, HOME rehabilitation project managers can accommodate a wider range of homeowners. Small changes in the loan's term provide more affordability than small changes in the interest rate. Adjustment to terms and interest rates may be customized to individual homeowners or established by category to meet the needs of anyone within a particular income range.
- The appraised value of the HOME-assisted property after rehabilitation must not exceed 95 percent of the median purchase price for the type of single family housing for the area (the HUD single family 203b mortgage limit).
- The minimum amount of HOME funds invested in a homeowner rehabilitation project must be a minimum of \$1,000 per unit assisted.
- The maximum per-unit subsidy of HOME funds permitted per unit for a single family rehabilitation project is the maximum subsidy amount set for all HOME assisted activities (see **APPENDIX 2, Maximum Per-Unit Subsidy Limits**).

Applicants are encouraged, where possible, to utilize loans instead of grants to homeowners. Applicants have the opportunity to generate at least small amounts of program income, which can be used in the community to undertake other HOME eligible activities. In this way the applicant's HOME dollars can be regenerated and reused in the community.

## D. ACQUISITION

The following discussion focuses on acquisition projects involving assistance provided to homebuyers. Requirements for rental housing acquired with HOME funds are the same as those for rental rehabilitation, unless the acquisition is for new construction.

HOME funds may be used for the acquisition of the following types of improved or unimproved real property:

- vacant land
- manufactured housing;

- existing housing structures, or structures that will be converted to housing through rehabilitation,
- new construction

Homebuyer projects may include down payment and closing cost funds, using a deferred payment loan format, as implemented through the contract between the HOME applicant (grantee) and the homebuyer. The provisions of the homebuyer program are best monitored for compliance with HOME requirements by means of a recorded deed of trust.

- a. Eligibility Criteria. The prospective purchaser household must meet two requirements in order to participate in the Homebuyer program.
  1. **Income Eligibility:** The purchasing household must be low income, at or below 80% of area median income,
  2. **Principal Residence:** The purchaser household must use the property as its principal residence. Temporary subleases are not allowed.
- b. Eligible Property Types.
  1. a single family property (one unit);
  2. a two- to four-unit property (rent controls will apply to the second through fourth units);
  3. a condominium unit;
  4. a manufactured home (all types of non-motorized manufactured housing units, including mobile homes); and
  5. a cooperative unit.
- c. Form of Ownership. Homeownership means ownership in fee simple title, a 99-year leasehold interest in a one- to four-unit dwelling or condominium unit, ownership or membership in a cooperative, or an equivalent form of ownership approved by MDOC. **The ownership interest may be subject only to the following:**
  1. mortgages, deeds of trust or other debt instruments approved by MDOC;
  2. HOME Program restrictions on resale/recapture to assure affordability or other program requirements;

3. any other encumbrances or restrictions that do not impair the marketability of the ownership interest.
4. home ownership under a lease-purchase agreement must occur within thirty-six (36) months.

Any forms of ownership not clearly specified above must be approved by MDOC (with HUD approval).

d. Property Standards.

1. Acquisition only. Section 8 Housing Quality Standards apply at the time of initial occupancy.
2. Acquisition and rehabilitation. The property must be free from any defects that could pose a danger to the health or safety of occupants before it is transferred to a homeowner. The property must be brought up to Section 8 Housing Quality Standards within 2 years of property transfer to the homebuyer.
3. Substantial rehabilitation (total costs greater than \$25,000 per unit). Section 8 Housing Quality Standards, local code standards, rehab standards, and cost-effective energy conservation and efficiency standards apply.

e. Property Value.

All homebuyer properties (and all acquisitions) must be appraised by a certified appraiser. The appraised value for a homebuyer must not exceed 95 percent of the area median purchase price for the type of single family housing being purchased (single family, condominium, duplex, 4-plex, etc.) at the time of acquisition.

For rehabilitation projects, the appraised value of the property after rehabilitation cannot exceed 95 percent of area median purchase price for the type of single family housing being purchased. The value estimates should be completed prior to occupancy or investment of HOME funds.

f. Long-Term Affordability and Resale/Recapture Provisions.

1. To qualify as affordable housing, the period of affordability is linked to the HOME funds used per unit. These periods of affordability are the same for rental rehabilitation projects.

<u>NUMBER OF YEARS</u>	<u>HOME FUNDS USED</u>
Five years	< \$15,000
Ten years	\$15,000-\$40,000
Fifteen years	> \$40,000

*For projects financed with a mortgage insured by HUD (including multifamily housing), the minimum period of affordability is the term of the HUD-insured mortgage.*

Two provisions are available to ensure and help enforce long term affordability. **Resale provisions** ensure the HOME assisted unit will remain affordable to the subsequent buyer. **Recapture provisions** ensure the recovery of the full HOME investment in the event of the sale of the property before the end of period of affordability.

## 2. Resale provisions.

Housing is affordable if the purchaser's monthly payments of principal, interest, taxes, and insurance do not exceed 30 percent of their gross income. Gross income cannot exceed 80 percent of median income for the area. Adjustments are made for smaller and larger families. There is no requirement that the monthly housing costs remain at the initial fixed threshold of 30 percent.

Housing purchased through the homebuyer program that is sold within the period of affordability will be sold to low-income families who must use the property as their principal residence. The new owners will start a new affordability period if an additional infusion of HOME funds is required. The subsequent buyer will be assured of affordability through a shared allocation of funds from the resale, according to the policies and procedures proposed by the Applicant (HOME grantee) and approved by MDOC.

MDOC or the Applicant will ensure that the housing will remain affordable utilizing deed restrictions, covenants running with the land or similar mechanisms.

Affordability restrictions terminate upon the occurrence of foreclosure, transfer in lieu of foreclosure, or assignment of a FHA insured mortgage to HUD.

Purchase options, rights of first refusal or other preemptive rights to purchase the housing before foreclosure will be utilized by the HOME Applicant to preserve affordability.

3. **Recapture provisions.**

Any remaining MDOC or applicant funds left after affordability is achieved for the subsequent homebuyer shall be made available for use in eligible activities in the applicant's HOME program.

Fair Return to the Seller will be accomplished within the net proceeds from sale as follows:

- Any outstanding loan balances from the first and/or second mortgages will be repaid; then
- HOME financed down payment and closing cost amounts will be returned to MDOC (or possibly the grantee's HOME account); then
- The homebuyer shall receive a return on investment equal to the homeowner's down payment, not including down payment from HOME funds, the portion of monthly payments which were applied to the principal of the loan, and major improvements paid for by the homeowner indexed by the Consumer Price Index; then
- Remaining net proceeds, or APPRECIATION, will be paid according to a formula outlined by the Applicant (HOME grantee) in their policies and procedures. The formula or method will provide a fair return on investment for the homeowner and insure that housing will remain affordable.

Applicants will specify the method used to recapture the full HOME investment out of the net proceeds. The resale provisions specified in the contract between the Grantee and the assisted homeowner will ensure the full recapture of the HOME Investment.

- The all projects undertaken with HOME funds obtained through the recapture of a HOME investment will be subject to applicable HOME requirements..
- The applicant will recapture the full HOME investment out of the net proceeds of the sale of the property whose seller has been assisted with HOME funds. Net proceeds are defined as the sale price minus repayment of any loan, non-HOME down payment assistance, and closing cost assistance.

- If the net proceeds are not sufficient to recapture the full HOME Investment plus enable the homeowner to recover the amount of the homeowner's down payment, principal payments, and any capital improvement investment, MDOC or the Applicant may reduce the HOME investment amount that must be recaptured.
- The HOME investment that is subject to recapture is the HOME assistance that enabled the homebuyer to buy the dwelling unit. The recaptured funds will be used for other eligible HOME projects. However, if the acquisition of the HOME assisted unit is financed with a mortgage insured by HUD, the applicable period of affordability must equal the term of the HUD-insured mortgage.
- After the period of affordability the property may be sold at any price to any homebuyer.

The HOME applicant must ensure that the properties acquired for homebuyers are used only as a principal residence, and resale restrictions must be enforced by means of a legally binding document. A deed or mortgage covenant, deed restriction, covenant running with the land, or other similar mechanism must be used to ensure that the homebuyer criteria are enforced. In addition, the HOME applicant should consider using the following options as a means of assuring compliance with the principal residence and resale provisions:

- first right of purchase.
- right of first refusal.
- subsidy mechanisms.
- equity sharing.

## RANKING CRITERIA INFORMATION

The purpose of the ranking criteria is to help the reviewer evaluate a proposal and compare it to other proposals. The criteria questions provide the applicant an opportunity to discuss step by step how the planning process was completed, how housing needs were identified, explain how citizen participation activities worked into the planning and assessment process, and demonstrate the ability and capacity of the applicant to implement the project and manage it properly. The questions present the applicant with an opportunity to express how their organization has identified their housing problems, and proposed solutions for these problems. The intent of the program is to address the most urgent housing needs of low to very low income households in their community.

**The ranking criteria consist of five categories.** Each of the criteria represent a different element of the process and each is ranked according to the point system established for the HOME application ranking process. The point system has been discussed in at least 25 public hearings in various communities around Montana. The ranking questions are asked to enable the application ranking team to make a complete assessment of the proposed project, and to rank one proposal against the other to determine which ones will be funded. There is not enough money to fund all proposals; it is necessary to rank one application against the other to determine who will be funded based on the criteria. HOME Program staff do not have the time or resources to complete on-site reviews of HOME proposals, so the applicant must communicate to the reviewer, through the application, the process used to determine housing needs and propose sound solutions to those needs.

Prior to addressing the individual application questions, the applicant is asked to present an overall narrative describing the proposed program. The summary narrative should not exceed two pages in length. The narrative will enable the ranking team to gain an immediate understanding of the overall scope of the HOME proposal, including the key elements of the program. In addition, the narrative should provide information on how the program will be implemented and managed to achieve timely start-up, and to insure the maximum impact on housing for the targeted population.

HOME applications will be evaluated according to the following criteria. Each application may be assigned up to a maximum of 600 points, based on the following ranking criteria:

A. Planning Process:	100 Points
B. Housing Needs:	150 Points
C. Community Efforts:	100 Points
D. Implementation Strategy:	150 Points
E. Project Management:	100 Points
	=====
<b>TOTAL POSSIBLE POINTS:</b>	<b>600 Points</b>

**APPLICATIONS MUST RECEIVE AT LEAST 300 POINTS IN ORDER TO BE ELIGIBLE FOR FUNDING.**

## A. PLANNING PROCESS

The first two application questions are designed to gather information on the planning process used by the applicant in developing priorities for affordable housing in the community. The two planning process questions allow the applicant an opportunity to describe more fully the *process* used to identify the community's housing needs, and determine solutions to the identified needs.

*A1. Please provide a narrative describing your community's planning process. Include a brief statement of your community's long-term housing plan. (If a local plan has been developed, please include in Appendix.) Demonstrate how the applicant has developed a reasonable and achievable plan by matching local housing needs with local, state and federal sources of funding, and has taken into consideration all local factors, including local planning and zoning policies.*

This question asks the applicant to describe the process used the applicant to developed a strategy for addressing the housing needs in the community and to provide a summary of that the overall housing strategy resulting from this planning process. Included in this summary should be a discussion of the method used to identify and prioritize its housing needs. If the community has completed an overall housing plan or has incorporated a housing element into their overall comprehensive plan, the applicant should provide a summary of this plan in an appendix.

In combination with the description of the planning process, the applicant will provide evidence that they have reviewed all the federal, state, local and private alternatives available to address those needs. They should discuss the strategy used to match the identified housing needs to the best source of funding and demonstrate how all local factors, including planning and zoning issues, have been taken into consideration when developing the overall housing strategy. The applicant should also identify long-term plans they may have to meet the housing needs in the community.

A2. *Provide evidence and explain the methods used to encourage any citizen participation during the Planning Process. Describe how the citizen participation was incorporated into the assessment and prioritization of the overall housing needs in your community and into the development of the project..*

The question is designed to evaluate the citizen participation process used in developing community housing plans and the HOME program. We ask the applicant to discuss the process used to encourage active citizen participation in the planning process and how the members of the community were involved in assessing the housing needs for the HOME application. This narrative should include a discussion of the public hearing process and other citizen participation processes used. The applicant should describe how the feedback obtained through this process was incorporated into the prioritization of the housing needs and into the design of the HOME project.

**Each application will receive the following points on the planning process criteria based upon the overall response to the criterion questions, in comparison with other HOME applications submitted:**

<b>EXCELLENT:</b>	<b>100 points</b>
<b>ABOVE AVERAGE:</b>	<b>75 points</b>
<b>AVERAGE:</b>	<b>50 points</b>
<b>BELOW AVERAGE:</b>	<b>25 points</b>

## **B. HOUSING NEEDS**

B1. *Provide in narrative form (two pages maximum) a justification detailing why your housing proposal is the most appropriate application of limited public funds, and demonstrate how this proposal is addressing your community's greatest housing need. If your proposal does not address your number one housing priority, please explain why a lower housing priority was chosen. In addition, please explain the housing project alternatives you considered prior to selecting the activity presented in this proposal. Where appropriate, include housing needs assessments, housing condition surveys, and other documentation as appendices.*

The purpose of the housing needs question is to have the applicant demonstrate they have reviewed all segments of affordable housing needs in the community and have proposed a justifiable, effective solution to address the most critical affordable housing needs. If the highest priority housing need is not addressed in the proposal, the applicant will need to discuss the reasoning and factors that led to addressing a lower priority need (training, resources, experience, availability of land, timing, etc.).

**It is important to document all statements made regarding the housing needs in the community.** If Census data is used to identify certain housing needs, this should be specifically stated and documented in the application. Other possible sources of information include a survey that was completed to assess the community's housing needs and/or the condition of housing units in the community, interviews with local officials and other persons who have expertise and knowledge of housing in the area, and housing and community development studies that have been completed on the program area.

**It is not necessary to supply copies of any housing studies or other reports with the HOME application.** It is preferable for the applicant to summarize the contents of such written documentation and cite fully the source of the data used for documentation (i.e., complete name of document, date of document, and page number where relevant supporting information is located). *If documentation is not fully cited or provided as appendix information, it will be discounted in the ranking process.*

**The applicants considered to be facing the highest overall need for HOME housing assistance will receive the highest scores.** Each application will receive points depending on its overall response to the criteria, in comparison to other applications submitted:

<b>HIGHEST NEED:</b>	<b>150 points</b>
<b>ABOVE AVERAGE NEED:</b>	<b>113 points</b>
<b>AVERAGE NEED:</b>	<b>75 points</b>
<b>BELOW AVERAGE NEED:</b>	<b>38 points</b>

## C. COMMUNITY EFFORTS

This category considers two questions that call for an analysis of community efforts and support for the projects outlined in the HOME application.

*C1. Demonstrate that the level of local public and private sector financial participation in the proposed project is the maximum that can reasonably be expected.*

The first question asks the applicant to discuss their financial capacity to address the housing problems in the community. This can be accomplished by identifying other private or public sources of **funding and match**. The applicant should outline steps taken to secure financing or other resources, and the results of those efforts. The applicant should demonstrate that the resources provided by their organization and other public and private sources of funding have been maximized. The applicant should describe how these additional resources result in the creation or rehabilitation of more housing units with HOME funds.

In documenting a commitment, the applicant must specify the amount and use of the funds, resources, and match, as outlined below:

Funds or resources committed by a local government must take the form of a resolution by the governing body that specifies the approximate amount of the commitment.

Funds or resources from a state, federal agency, or private organizations must provide documentation by a letter of commitment from the agency or organizations involved.

Private financial institutions need to provide firm letters of commitment to the project (for example, a set aside loan pool for use in the home buyer program).

Funds from private sources must also be well documented (e.g., by means of the donor's financial statement or other proof of financial solvency and capability to meet the proposed financial commitment).

The commitment of funds or resources may be made contingent on HOME funds being awarded for the project.

Besides the funding and match resources, other examples of documentation that can be included are: information on the current property tax and mill levy structure of the community, the availability of reserve or other funds within the organization, or the economic conditions in the community.

*C2. Demonstrate how non-financed efforts undertaken in the community and/or project area are complimentary to and in support of the proposed HOME project. Examples might include such activities as community or neighborhood "cleanup", "paint-up", or "fix-up" campaigns; establishment of housing tax incentives; adoption of "community decay" ordinances for blight removal; and efforts to aggressively enforce the Uniform Code for the Abatement of Dangerous Buildings. CHDOs should demonstrate efforts to work with community leaders and officials to facilitate such activities.*

Community involvement in support of providing housing for low-income and very low income families is extremely important. This question is designed to identify three non-financed areas of support from the community: 1) volunteer activities 2) additional endeavors to meet growing housing needs of the community and 3) official action by local government. Identify the non-financed efforts, on behalf of the community, that compliment or support the proposed HOME project. Responses to this question must address community involvement in a very specific way as it pertains to this proposal.

- 1) Clearly identify **volunteer activities** in the neighborhood or community that compliment or support this specific proposal.
- 2) Clearly identify **neighborhood and community endeavors** that assist the overall housing efforts in the community for low and very-low income families.
- 3) Clearly identify recent **official action** by local government that has been adopted to enhance this specific proposal. Address ordinances, resolutions or programs that compliment the HOME program or other housing efforts in your community.

Most communities encourage the efforts of volunteers and organizations to maintain and enhance the overall appearance of the community in which they live. However in this question the applicant is asked to provide information on community projects that enhance this specific HOME Program proposal (e.g. a volunteer organization that plants trees and shrubs in a park that adjoins the proposed "home buyer" subdivision).

Many communities have boiler-plate ordinances that advocate "blight removal", the abatement of dangerous buildings, historic preservation, etc. The applicant is asked to list recent local government mandates that have been created or adopted to support or enhance this particular proposal.

CHDOs do not have the authority to enact ordinances. CHDOS are encouraged to describe efforts to work with community leaders to facilitate such activities

**Each application will receive points depending upon its overall response to the criteria, in comparison to the other applications submitted:**

<b>EXCELLENT:</b>	<b>100 points</b>
<b>ABOVE AVERAGE:</b>	<b>75 points</b>
<b>AVERAGE:</b>	<b>50 points</b>
<b>BELOW AVERAGE:</b>	<b>25 points</b>

## **D. IMPLEMENTATION STRATEGY**

This category of questions is designed to assess the applicant's ability to implement the proposal outlined in the HOME application. It will enable the ranking team to rank the proposal on the degree to which the applicant has developed a comprehensive, appropriate and reasonable implementation strategy for the HOME Program that deals with identified housing needs of the community and makes optimum use of all available public and private resources.

*D1. Provide an Implementation Schedule that provides an overview of major activities and approximate dates of completion. Include in the schedule the pre-planning activities taken to ensure that project activities can commence quickly if funds are awarded.*

The Implementation Schedule should provide an overview of the project by identifying the major steps of the proposed plan in coordination with a timeline. The Implementation Schedule should be practical and demonstrate the project can be realistically accomplished within twenty-four months.

Identification of activities that have been performed prior to application submittal enables the reviewer to determine if the applicant has adequately addressed the preliminary steps necessary to guarantee that the project can be executed quickly once the grant funds are awarded. This would include such items as completing preliminary site plans, identifying all local ordinances or regulations that might affect the project, securing and coordinating all sources of funding, etc. These factors are reliable indicators of the applicant's readiness to start and finish the program.

*D2. Describe the method you will use to identify HOME Program beneficiaries. Demonstrate how you will analyze the financial situation of each person requesting assistance (taking into account the different financial capacities of each person requesting assistance), and will comply with applicable HOME Program regulations.*

In the second question, the applicant is asked to present information on the methods used to determine applicant eligibility and to establish policies to determine levels of program assistance under the proposed HOME program. Many applicants propose, for example, to use a *sliding scale* to determine the amount of assistance that a household will receive. Such techniques will be ranked to assess whether they comply with HOME regulations, whether they are appropriate and affordable for persons to be assisted, and whether the proposed terms are consistent with prudent management of limited public funds.

*D3. Demonstrate how the applicant has realistically assessed the willingness of potential HOME Program beneficiaries to participate in the proposed housing project.*

It is important that all applicants realistically analyze the potential market for their housing program and anticipate the response of potential beneficiaries. In the third question, applicants should explain their marketing plan and method of program outreach. The information provided in response to this question will be measured on the basis of whether the applicant has sufficient client base for implementing the

program, and has designed the program in a manner that makes it attractive and affordable to the potential clientele.

*D4. Demonstrate how the HOME cost per housing unit, per activity, has been estimated in relation to: the housing standard that your organization proposes to achieve; the severity of needs described in the application; and the necessity for meeting all applicable state and federal building requirements (e.g., handicap accessibility, Davis-Bacon wage rates, cost-energy efficiency standards, Section 8 housing quality standards). In addition, provide the total square footage of the building and the total cost per square foot. If existing structures are to be rehabilitated for multiple family housing or if new housing construction is proposed, provide preliminary site and floor plans and additional applicable information such as local zoning and subdivision review requirements.*

The final implementation strategy question addresses the HOME cost per unit. The applicant is required to provide information on how the cost per HOME assisted unit was determined. They must demonstrate that they have taken into consideration all applicable local, state and federal regulations in their program design and have incorporated any subsequent costs into their program cost projections. In addition, total square footage and total cost per square foot are requested. Examples of requirements that should be taken into consideration include all applicable building codes, ADA and Section 504 requirements, or local subdivision or zoning ordinances. If the applicant is contemplating rehabilitation of any multi-family structures or any new construction, it is necessary to provide preliminary building and site plans. Preliminary plans and accompanying cost estimates may be reviewed by staff at the Architecture and Engineering Division of the Department of Administration.

**Each application will receive points depending upon its overall response to the criteria, in comparison to the other applications submitted:**

<b>EXCELLENT:</b>	<b>150 points</b>
<b>ABOVE AVERAGE:</b>	<b>113 points</b>
<b>AVERAGE:</b>	<b>75 points</b>
<b>BELOW AVERAGE:</b>	<b>38 points</b>

## **E. PROGRAM MANAGEMENT**

This category of questions is designed to assist the ranking team in evaluating the strategy that will be used to manage the HOME Program. This evaluation includes an assessment of program administration, financial management and the management team.

*E1. Demonstrate how the applicant has considered HOME Program "Special Requirements" applicable to the proposed housing project. Please provide Policies and Procedures in appendix form.*

In submitting the proposed application for funding to the HOME Investment Partnership Program, the applicant has certified compliance with all General Requirements (see various topics under the "General Information" section of these guidelines). Additional "Special Requirements" apply based on the eligible project activity. The applicants policies and procedures must incorporate both General and Special requirements. Please refer to information found in the "Project Information" section of these guidelines for items applicable to each eligible project activity. The applicant will be ranked on whether the policies and procedures meet the HOME requirements, and whether they will result in a strong program that will benefit the low and very low income households in the community.

*E2. Complete the budget form on the following pages. In the space provided below, provide a concise line-item narrative justification for each budget item (use extra pages only if necessary).*

In the second question, the applicant is asked to complete a budget form and provide a **narrative justification** for the proposed budget. The narrative required as part of the budget briefly explains each budget item. The justification should include a detailed discussion of all budget items, and the applicant must provide documentation or other evidence demonstrating that the projected costs for the program are reasonable. These costs may be based on costs estimates developed by the program architect/designer, previous programs and projects of a similar nature, or other sources that are relevant to the proposal. The applicant is required to provide a budget justification for both the administrative and project activities budgets.

*E3. Complete the cash flow form on the next two pages if your proposal is for **rental housing**, a **group home**, or an **assisted care facility**. Provide 1-year, 5-year, and 10-year cash flow projections. In the space provided below, provide a cash flow narrative (use one or two extra pages if necessary).*

Those applicants proposing rental housing, group home, or assisted care facility programs are required to fill out the cash flow form and complete a narrative. Question three is designed to show the ranking team the underlying financial assumptions that were used to predict the financial viability of the proposal. The narrative should act to clarify and expand on the information provided on the budget form. A positive cash flow is expected in most circumstances. If the cash flow is projected as negative, the applicant should specify in the narrative how and why the project is still feasible. Applicants need to justify the "Gross Rents" amount by

providing enough detail to determine monthly and annual rent revenues based on the number of rental units.

*E4. Describe how your organization's financial management procedures incorporate other funding sources or organizations that will be involved in the project. Describe how all finances and personnel will be coordinated and directed.*

The fourth question is designed to assist the reviewer in analyzing the overall coordination of the HOME program. The applicant is asked to demonstrate how all funding sources will be incorporated into the existing accounting system of the organization, and who will be responsible for coordination and financial management activities. The applicant should also discuss the timetables of the different financing sources proposed for the program and explain how they will be coordinated.

*E5. Provide a narrative summary of your Management Plan, and submit a copy of the full plan as an Appendix to this application.*

The fifth question calls for a copy of the applicant's completed management plan. The management plan should cover four basic areas: policies and procedures, overall administrative structure, program management, and financial management. Please refer to a previous section in these Guidelines for a discussion on management plan requirements. Include in the overall administrative structure the qualifications of each position that is involved in your HOME program. If you will hire new staff for the position, include the qualifications that you intend to require for the position. If a Request for Proposals (RFP) or similar process will be conducted to hire additional staff, the applicant should discuss how the RFP process will affect program management and the implementation program.

*E6. If income is to be generated by HOME-funded activities, please summarize your organization's Program Income Plan, describing the proposed use of that money and any long-term administrative mechanisms. If your organization has a HOME program income portfolio, please provide an account balance and summary of past program income funded activities.*

The last question asks the applicant to outline their Program Income Plan. If the applicant anticipates receiving any program income from HOME activities, they must describe how those funds will be used and outline the mechanisms proposed for the administration of those funds. Since all program income must be managed in accordance with HOME guidelines and requirements, the program income plan must include assurances that these guidelines will be followed. CHDOs, who can not retain program income, must work through MDOC to develop a plan for the management of program income resulting from their project activities.

Each application will receive points depending upon its overall response to the criterion, in comparison to the other applications submitted:

<b>EXCELLENT:</b>	<b>100 points</b>
<b>ABOVE AVERAGE:</b>	<b>75 points</b>
<b>AVERAGE:</b>	<b>50 points</b>
<b>BELOW AVERAGE:</b>	<b>25 points</b>

## APPLICATION EVALUATION

Application ranking policies and procedures were developed because HOME funds are awarded on a competitive basis. The purpose of the HOME ranking process is to assist in the awarding of the state's limited HOME funds to those programs that provide the best response to local housing needs and are consistent with Montana's HOME Program requirements. The assignment of points to each ranking criteria provides a means to objectively rank the applications. The ranking score provides a mechanism to compare ranking scores to assure that applications are being evaluated consistently and fairly.

All projects under consideration for a HOME grant award are evaluated against the ranking criteria. Each criteria category has been assigned a number representing its relative priority or worth. By reviewing each criteria and its potential points, applicants can gain a better sense of the major issues involved in designing a more competitive application and the relative effort that should be devoted to responding to each criterion question. Any person with a question or concern regarding any of the ranking criteria should contact the MDOC HOME staff prior to submitting an application.

Individual applications will vary depending upon the project activities proposed, the size and character of the organization applying, and each applicant's unique response to its own particular community's specific housing needs. The ranking process must, in part, be subjective because no purely quantitative measures exist that can anticipate every community's planning process, housing needs, community efforts, implementation strategy, and project management. In evaluating the applications, MDOC will rank each application on the basis on its own merits, but will also rank applications in comparison to those submitted by other HOME applicants.

Upon receipt, MDOC HOME staff will review each application for completeness and for conformance to federal and state HOME requirements. An application may be disqualified from a scheduled grant competition if the proposed program fails to comply with a general requirement applicable to all HOME grantees, or with any special requirement applicable to the type of project proposed. Disqualified applicants will be notified in writing of the reason for disqualification. Failure to meet the

matching criteria threshold set by HUD and the Montana Department of Commerce HOME Program and to document firm commitment for all sources of match will result in automatic disqualification of an application.

After submission of an application, applicants are expected to keep MDOC informed of any developments that could affect the viability of the proposed project. MDOC may contact the applicant to clarify issues, or to verify information contained in the application.

Ad hoc ranking teams will be appointed from state agency staff. Applications will be evaluated by the ranking teams, using the ranking criteria and numerical point systems described in these HOME Application Guidelines. The ranking teams serve in an advisory capacity to the Director of MDOC and will make recommendations to the Director with regard to the applications that should be awarded HOME funds.

MDOC may supplement application materials, as needed, by consulting public or private agencies knowledgeable about proposed projects or particular community problems. MDOC will request outside technical review of applications by other public or private agencies or professionals when deemed necessary to assure adequate review.

After reviewing each application and any technical review comments, the ranking team will evaluate the degree to which each proposed program responds to each applicable criteria. Scores will then be assigned according to the point values established for each criteria. **A failure to respond to any criterion will result in no points being awarded for that criterion.** If the ranking team determines the applicant has inadequately documented specific statements or claims made in response to a criterion, it may rank the application lower on that criterion than it would rank other applications that provide stronger supportive documentation. Numerical or percentage claims will be accepted and considered valid only to the extent that they are clearly substantiated and supported by any documentation included in the application (refer to page A.41 for an explanation and description of documentation requirements). Because each application competes on its own merits, the applicant should not make assumptions that ranking team members are already aware of the important details regarding their HOME proposal, but should rather spell out such details as clearly and succinctly as possible. Representatives of applicants will not be present during the application review and ranking process to further explain the proposal.

The ranking teams will submit their written findings and recommendations for grant awards to the Director of MDOC for his/her consideration. These findings will be based upon the order of scores assigned to each application by the ranking teams during the reconciliation process. The final decision on grant awards will be made by the Director. If the Director revises any of the scores assigned by the ranking teams

A.50

or selects an application that was not recommended for funding, the Director will prepare a written finding, consistent with the criteria established in the application guidelines, describing the rationale upon which the alternate score was assigned or award was made.

The actual number and types of HOME awards made will be subject to funding availability, the amount of each applicant's request, and the procedures set out under "Distribution of Funds." In the event of tie scores, the funded programs will be selected on the basis of the Director's judgement of the overall quality of the proposed programs and their consistency with the goals and objectives of the Montana HOME Program.

## **PROCEDURES FOR GRANT AWARD**

### **A. ANNOUNCEMENT OF RANKING RESULTS AND GRANT AWARDS**

As soon as possible after the selection process is completed, the Director will notify all applicants of the final results of the ranking process. A summary of the final ranking results and the written findings of the team that reviewed the application will be provided to each applicant.

Funds will be tentatively allocated to the selected applicants. This tentative allocation of funds does not imply approval of all activities or costs proposed in the application. The proposed work program and budget may be subject to minor modification during subsequent contract negotiations between the applicant and MDOC. The formal award of HOME funds will be contingent upon the execution of a contract between the applicant and MDOC and the completion of other required program start-up activities in accordance with all applicable federal and state requirements.

### **B. RE-RANKING APPLICATIONS**

Re-ranking may be considered in the event that an applicant tentatively selected to receive HOME funds is unable to substantiate information in the application that was a determining factor in how the application was ranked, or if an applicant requests modification of any activities proposed in the original applications that would affect the ranking scores assigned.

### **C. APPLICATION REVIEW**

A file will be maintained for each application, including the written findings of the team that reviewed the application. After grant awards have been announced, the application files will be available for public review, upon request, in MDOC offices in

Helena, Montana. MDOC HOME staff will review the evaluation and ranking of applications with the specific applicants on request.

## **D. APPLICANT APPEAL**

Appeals will be granted only on the basis of miscalculation of the arithmetic scores. In the event that MDOC determines that a miscalculation of scores occurred and resulted in an application not being selected for funding that otherwise would have been selected, MDOC will reserve funds from the FFY 1996 HOME state allocation sufficient to fund that application. Those funds will be made available as soon as is practicable. If any other applicant tentatively selected for FFY 1995 funding is unable to fulfill the conditions required to secure a final commitment of funds, the tentative grant commitment to that applicant will be withdrawn and made available to the applicant whose grant request was erroneously scored. The reservation of the 1995 HOME funds would then be adjusted or canceled, as appropriate.

## **PROJECT START-UP PROCEDURES**

### **A. AMOUNT OF GRANT AWARD**

Funds will be tentatively awarded by MDOC to selected applicants. While grant ceilings establish the maximum amounts that may be requested, individual grants will be awarded only in amounts appropriate to the scope of the identified problem, the proposed grant activities, and the resources and administrative capacity of the applicant. Tentative amounts greater or less than the amount originally requested may be awarded, at the discretion of MDOC. The tentative award of funds does not imply approval of all activities or specific costs proposed in the selected application. The proposed work program and budget may be subject to modification during subsequent contract negotiations between the applicant and MDOC. MDOC will not grant additional funds to pay for program costs that exceed the contract grant award.

In the event a project can be completed for less than the grant amount, the difference between actual project costs and the original grant award for the overall grant program will be reserved by MDOC: to expand the scope of the original project; to help fund programs not fully funded, to offer a special application process, or to increase the following fiscal year's HOME allocation. In this event, MDOC will amend the grant contract to reflect the reduced costs.

In certain circumstances unexpended funds may be used for an eligible project that further enhances the contracted program. Before MDOC makes a determination to allow the additional project, the grantee must demonstrate that the project will: clearly enhance the overall impact of the original program; provide adequate benefits

to low and very low income persons; be completed in a timely manner; and be completed with the unexpended funds. The grantee must have also demonstrated satisfactory progress toward completion of the original contracted project activities.

## B. PROJECT START-UP REQUIREMENTS

**Within four months** of the date of the announcement of the tentative grant award by MDOC, each applicant selected for HOME funding must execute a grant contract with MDOC.

**Within six months** of the date of the announcement of the tentative grant award by MDOC, each applicant selected for HOME funding must:

- a. comply with all applicable state and federal requirements for program start-up;
- b. establish with MDOC an acceptable mechanism for transfer of HOME funds to the grantee;
- c. submit an acceptable management plan and implementation schedule for the local HOME program; and
- d. fulfill other appropriate contract terms established by MDOC.

In the event that these conditions have not been met, the tentative award will be withdrawn and the funds reallocated according to the Montana HOME Program ranking and grant award procedures. If the tentative grantee can demonstrate the existence of unusual or extenuating circumstances, MDOC will consider an extension of time to meet these conditions.

No applicant that has been tentatively selected for HOME funding may obligate or incur costs for HOME funds until specifically authorized in writing by MDOC. Funds obligated or expenses incurred without proper authorization will be the responsibility of the applicant and will not be reimbursed. Incurring costs includes actions such as hiring staff or entering into a contract for construction or management services or for acquisition of land.

From the date of the tentative award, it may take at least two months before any funds will actually be received. This delay occurs because several activities must take place in the interim. The contract between the grantee and MDOC must be prepared; the grantee must conduct an environmental review; and all the details for assuring proper management of the project and the federal funds must be finalized.

## C. GRANT CONTRACT

After an application is tentatively selected for funding, a HOME grant agreement will be prepared. The grant agreement is the legal document governing the administration of the HOME grant and the expenditure of program funds. It will include the following items:

- a. the amount of funds to be provided;
- b. a detailed budget for the funds and any other funds involved in the project;
- c. the schedule for implementation of project activities and the scope of work to be completed; and
- d. the general and special terms and conditions associated with the grant.

The HOME grant application, as approved, will become part of the grant agreement.

No HOME funds will be released to the grantee until a grant agreement is fully executed and all program start-up requirements complied have been met.

## D. COMPLIANCE WITH STATE AND FEDERAL REQUIREMENTS

It is the responsibility of all HOME grantees to comply with all applicable federal and state laws, executive orders, and regulations affecting their programs. MDOC will conduct training sessions to familiarize grantees with these requirements. Participation at the training workshop is mandatory.

## E. COMMITMENT OF NON-HOME RESOURCES

**Within six months** of the tentative grant award, all grantees requiring other private, or local, state or federal public resources, in addition to HOME funds, to implement a proposed HOME project must have completed all necessary arrangements to assure the resources are available for commitment to and participation in the project. Securing firm commitments for non-HOME funds at this time will guarantee timely project completion. MDOC encourages applicants to secure firm commitments from all non-HOME funding sources prior to submission of their HOME application.

No HOME funds will be released to the grantee until firm commitments are available for all non-HOME resources to be involved in a project. No HOME funds may be obligated or incurred until this condition is released by MDOC. If firm commitments cannot be obtained within the timeframe, the tentative award will be withdrawn and the funds reallocated. MDOC will consider an extension of time if the tentative

grantee can demonstrate the existence of unusual or extenuating circumstances that would justify an extension of time.

## **F. PROJECT MONITORING**

During the course of the local HOME project, MDOC will monitor each grantee through periodic on-site visits and written progress reports, so that any problems that may occur can be resolved as soon as possible. It is MDOC's goal to assist and support grantees in complying with applicable state and federal requirements and in implementing their program.

Grantees will be required to maintain complete financial and program files, and to comply with all program reporting requirements. Representatives of MDOC must be provided reasonable access to all books, accounts, records, reports and files pertaining to project activities. Grantees must also provide citizens with reasonable access to records regarding the use of funds.

## **G. TIMELY PROJECT COMPLETION**

The grant requested, either by itself or in combination with other identified funding sources, must be sufficient to complete the proposed activities within the contract period. Projects must be set up in the Cash Management and Information System (CM/I) within the time specified in the contract. Contract periods are normally 24 months from the date of the announcement of the tentative grant award by MDOC. MDOC will consider each program separately during grant contract negotiations in order to establish a reasonable and realistic date for program completion.

MDOC reserves the right to withdraw a commitment for any HOME funds that remain unobligated after the date specified in the contract.

## **H. GRANT AMENDMENT**

All grant amendments require prior written approval. Such amendments include new activities or alteration of the existing activities or budget, or lengthening of the schedule for project implementation as proposed in the grant application and/or negotiated in the grant contract. Before MDOC makes a determination to allow the amendment, the grantee must clearly demonstrate that the modification is justified and will enhance the overall impact of the original project. MDOC will analyze the proposed modification and its impact on the scores originally assigned to the application and will make a determination as to whether the modification is substantial enough to necessitate reevaluating the project's original ranking. If re-ranked, the application with proposed amendments must rank equal to or greater than the lowest numerical score received by a funded project, in order to be funded.

If the proposed amendment is determined to cause a substantial change in the project activities proposed in the original application for HOME funds, MDOC will require that a public hearing be conducted, with reasonable notice given by the grantee. Substantial changes in project activities may also obligate the grant recipient to publish legal notices and to conduct additional environmental analysis in order to comply with federal environmental regulations.



## APPENDIX A.1

### HOME DEFINITIONS

**ADJUSTED INCOME:** Adjusted income is annual (gross) income reduced by deductions for dependents, elderly households, medical expenses, handicap assistance expenses and child care. The income definitions used in the HOME program are those established in the Section 8 income guidelines, 24 CFR § 813.102 *Adjusted income is the basis for determining a tenant's monthly rental payments.*

**ADMINISTRATION FUNDS:** Reasonable costs of overall program management, coordination, monitoring and evaluation, as defined in 24 CFR § 92.207. Administration Funds can be requested for up to 8% of the total HOME grant application amount.

**AFFORDABILITY:** The requirements of the HOME Program that relate to the cost of housing both at initial occupancy and over established timeframes, as prescribed in the HOME Interim Rule. Affordability requirements vary depending upon the nature of the HOME assisted activity.

**ANNUAL (GROSS) INCOME:** The HOME Program uses the income definitions used in the Section 8 Program, 24 CFR § 813.106. *Annual income is used for home owner and tenant eligibility and income targeting purposes.*

**COMMUNITY HOUSING DEVELOPMENT ORGANIZATION (CHDO):** A private, non-profit organization that has been certified as a CHDO by the state after meeting all the qualifications prescribed in the HOME regulations. CHDOs must receive at least 15 percent of a participating jurisdiction's annual allocation of HOME funds (referred to as *CHDO set aside funds*). The **CHDO set aside funds must be used for housing ownership, development, or sponsorship activities**. A CHDO must always own the project prior to the development phase of the project.

The following definitions are specific to CHDOs:

- **OWNERSHIP:** The CHDO is an *owner* when it holds valid legal title to or has a long-term (99-year minimum) leasehold interest in a property. The CHDO may be an owner with one or more individuals, corporations, partnerships or other legal entities.
- **DEVELOPMENT:** A CHDO is a *developer* when, regardless of ownership, it has a contractual obligation to a property owner:

- 1) **for rental housing:** to obtain financing, rehabilitate, construct or maintain/manage a project. If the property is not owned by the CHDO, the contractual obligation to develop the project must be between the owner and the CHDO (independent of the PJ); or
- 2) **for first-time homebuyer programs (where the CHDO does not have ownership of the property):** to obtain financing, rehabilitate or construct and transfer title of the property and the HOME loan/grant obligations from the owner to a HOME qualified first-time homebuyer within a specified timeframe.

If the CHDO does not own the property but rather develops the property on behalf of an existing owner, the CHDO would be acting in the capacity of a subrecipient. **MDOC does not enter into subrecipient relationships.** An existing homeowner cannot "hire" a CHDO sponsor to complete the rehabilitation of his/her residence (e.g., select the contractor, manage the construction project, etc.). Such activity is not an eligible CHDO set-aside activity.

- **SPONSORSHIP:** A CHDO is a *sponsor* when:

- 1) **for HOME-assisted rental housing:** the CHDO develops a project that it owns, in whole or in part, and agrees to convey ownership to a second non-profit organization at a predetermined time. The non-profit must be **financially and legally separate** from the CHDO sponsor. The second non-profit may have been created by the CHDO, but it is nevertheless a separate entity from the CHDO.

The HOME funds are invested in the project owned by the CHDO prior to transfer of the property. Prior to the commitment of HOME funds, the CHDO sponsor must identify the non-profit organization to whom the property will be transferred. **The second non-profit will assume all HOME obligations** (including repayment of loans and tenant and rent targeting requirements) for the project from the CHDO at a specified time. If the property is not transferred to the non-profit organization, the CHDO sponsor will remain liable for the HOME obligations. The CHDO must provide sufficient resources to the non-profit organization to ensure the development and long-term operation of the project.

- 2) **For a HOME-assisted First-Time Homebuyers program.** The CHDO owns and develops a property and transfers title and the HOME loan/grant obligations and resale requirements to a HOME-qualified, first-time homebuyer, within a specified timeframe. **The CHDO must own the property at the time the HOME funds are invested.** The CHDO sponsor

can use the funds for acquisition of property and new construction of a housing unit or the acquisition and rehabilitation of an existing housing unit. At completion of the rehabilitation or construction, the CHDO is required to sell (transfer) the property, along with the HOME loan/grant obligations, to a qualified first-time homebuyer.

This sponsorship role could include a lease-purchase approach whereby the CHDO sponsor would lease the property to a first-time homebuyer for a period not to exceed two years. At the expiration of the lease, the CHDO must sell or transfer the property along with the HOME loan/grant obligations to the first-time homebuyer. If the property is not transferred, the CHDO retains ownership, and all HOME rental requirements apply.

- **COMMUNITY LAND TRUSTS (CLTs):** A CLT is a community housing development organization (CHDO) that:
  - is not sponsored by a for-profit organization;
  - is established, and undertakes activities to:
    - 1) acquire parcels of land, held in perpetuity, primarily for conveyance under long-term ground leases;
    - 2) transfer ownership of any structural improvements located on such leased parcels to the lessees; and
    - 3) retain a preemptive option to purchase any such structural improvement at a price determined by a formula that is designed to ensure that the improvement remains affordable to low and moderate income families in perpetuity.
  - has a corporate membership open to any adult resident of a particular geographic area specified in the bylaws of the organization;
  - has a board of directors whose membership includes a majority of members who are elected by the corporate membership and is composed of equal numbers of lessees, corporate members who are not lessees, and any other category of persons described in the bylaws of the organization; and
  - is not required to have a demonstrated capacity for carrying out HOME activities or a history of serving the local community within which HOME-assisted housing is to be located.

HOME funds may be made available to CLTs for organizational support, technical assistance, education and training, and continuing support. In addition, community groups are eligible to receive assistance for the establishment of CLTs.

**CONVERSION:** Changing the use of an existing non-residential structure to affordable housing. This is counted as rehabilitation unless the conversion entails adding one or more units beyond the existing walls, in which case the project is new construction.

**HARD COST:** The actual cost of constructing or rehabilitating housing. These costs include the following: new construction, rehabilitation, acquisition costs, and demolition costs (when done in association with an eligible project activity).

**HOME ASSISTED UNIT:** Any housing unit assisted with HOME funds. Thus *rent, occupancy, and/or resale restrictions apply*.

**HOME FUNDS:** HOME funds include all appropriations for the HOME Program, plus all repayments and interest from returns on the investment of these funds.

**HOME INVESTMENT TRUST:** The term given to the two accounts that *hold* the state recipient's funds - one at the local level and one at the state level. The federal HOME Investment Trust Account is the U.S. Treasury account for the participating jurisdiction. The local HOME Investment Trust account includes not only the initial HOME funds, but also repayments of HOME funds, matching contributions and payment of interest or other returns on investment.

**LEVERAGE:** Additional resources, *over and above the match threshold* requirement, that are combined with HOME dollars to enhance the HOME Program.

**LOW INCOME FAMILY:** A family whose annual income does not exceed 80 percent of the median income for the area (adjusted for family size). HUD may establish income ceilings higher or lower than 80 percent of median income for an area, on an exception basis.

**LOW INCOME NEIGHBORHOOD:** A neighborhood where at least 51 percent of the households are at or below 80 percent of the median income for the area.

**MATCH:** Each applicant must make contributions to affordable housing assisted with HOME funds throughout a fiscal year. For Montana applicants in the FFY 95 grant competition, the match contribution must total not less than:

**15%** of the non-administrative grant funds requested in that fiscal year for new construction projects; and

**12.5%** of the non-administrative grant funds requested in that fiscal year for housing projects that do not constitute new construction (i.e., tenant-based rental assistance, housing rehabilitation projects, and acquisition projects). A description of eligible and ineligible forms of matching contributions can be found in **GENERAL INFORMATION, Part F, Match Requirements**, page A.9.

**MODERATE REHABILITATION:** Any rehabilitation of residential property at an average total development cost equal to or less than \$25,000 per unit.

**NEW CONSTRUCTION:** Any project for which commitment of HOME funds is made within one year of the date of initial certificate of occupancy. Any project that includes the creation of additional dwelling units outside the existing walls of a structure is also considered new construction.

**PARTICIPATING JURISDICTION:** Any state or local government that has been designated by HUD to administer a HOME Program. HUD designation as a PJ occurs if a state or local government meets the funding thresholds, notifies HUD that they intend to participate in the program, and obtains approval by HUD of a *Comprehensive Housing Affordability Strategy* (CHAS).

**PROGRAM:** The local government or CHDO HOME grant proposal, as set forth in their HOME grant application. A program may include one or several HOME-eligible activities.

**PROJECT:** The site of an entire building or two or more buildings, together with the site or sites on which the building or buildings is/are located, that are under common ownership, management and financing; and are to be assisted with HOME funds, under commitment by the owner, as a single undertaking. If there is more than one site associated with the activity, the sites must be within a four-block area. Eligible HOME project activities include Tenant-Based Rental Assistance, Assistance to First-Time Home Buyers, Property Acquisition, New Construction, Reconstruction, Moderate and Substantial Rehabilitation, Site Improvements, Demolition, Relocation, and other activities (with prior HUD approval) that are related to development of non-luxury housing. A local government or CHDO project may include one or more activities.

**SOFT COST:** Reasonable and necessary costs incurred by the owner or grantee and associated with the financing or development (or both) of new construction, rehabilitation or acquisition of housing assisted with HOME funds. Eligible soft costs include:

- 1) Finance related costs.
  - Origination fees
  - Credit reports
  - Title reports and updates
  - Recordation fees
  - Preparation and filing legal documents
  - Appraisal
  - Attorney's fees
  - Loan processing fees
  - Other customary fees
  - Developers fees
2. Construction related costs.
  - Architectural fees
  - Engineering fees
  - Preparation of work write-ups/cost estimates
  - Builders and developers fees
3. Project audit costs.
4. Affirmative marketing and fair housing costs (e.g., information services such as affirmative marketing and fair housing pamphlets for prospective homeowners and tenants).
5. Cost of funding an initial operating reserve (for new construction or substantial rehabilitation). This reserve shall be designed to meet any shortfall in project income during the period of rent-up (not to exceed 18 months). Reserve funds may only be used to pay operating expenses, reserve for replacement payments, and debt service. Any HOME funds placed in an operating reserve that remain unexpended when the reserve terminates must be returned to MDOC.
6. Relocation costs.
7. Costs related to tenant-based rental assistance.

**STATE RECIPIENT:** Any unit of local government designated by a state to receive HOME funds. The state is responsible for ensuring that HOME funds allocated to State Recipients are used in accordance with HOME regulations and other applicable laws.

**SUBRECIPIENT:** A public agency or non-profit organization selected by a participating jurisdiction to administer all or a portion of the participating jurisdiction's

**HOME Program.** A public agency or non-profit organization that receives HOME funds solely as a developer or owner of housing is not a subrecipient.

**SUBSTANTIAL REHABILITATION:** Rehabilitation of residential property at an average total development cost per unit greater than \$25,000 per dwelling unit.

**TARGETING:** HOME Program requirements relating to the income or other characteristics of households that may occupy HOME-assisted units.

**VERY LOW INCOME:** Families whose incomes (when adjusted for family size) do not exceed 50 percent of the median income for the area. HUD may establish income ceilings higher or lower than 50 percent of median income for an area, on an exception basis.



**APPENDIX A.2**  
**MAXIMUM PER UNIT SUBSIDY LIMITS**  
**STATE-WIDE APPLICATION**

<b>EFFICIENCY SUBSIDY LIMIT</b>	44,958
<b>1-BEDROOM SUBSIDY LIMIT</b>	51,535
<b>2-BEDROOM SUBSIDY LIMIT</b>	62,667
<b>3-BEDROOM SUBSIDY LIMIT</b>	81,069
<b>4-BEDROOM + SUBSIDY LIMIT</b>	88,989



**APPENDIX A.3**  
**MAXIMUM MORTGAGE LIMITS**

LOCATION	1-UNIT/ CONDO	2-UNIT	3-UNIT	4-UNIT
CASCADE COUNTY	86,950	98,700	119,350	148,300
FLATHEAD COUNTY	89,300	100,550	122,200	148,300
GALLATIN COUNTY	100,650	113,350	137,700	158,900
HILL COUNTY	80,650	98,700	119,350	148,300
JEFFERSON COUNTY	104,400	117,550	142,850	164,850
LEWIS AND CLARK CO	87,600	98,700	119,900	148,300
MISSOULA COUNTY	94,500	106,450	129,350	149,250
RAVALLI COUNTY	89,300	100,550	122,200	148,300
YELLOWSTONE CO	94,050	105,900	128,700	148,500
REST OF STATE	77,197	98,700	119,350	148,300



## APPENDIX A.4

### HOME INCOME LIMITS

#### AREA MEDIAN INCOME

##### INCOME LIMITS BY HOUSEHOLD SIZE

COUNTY/MSA	NAME	PROGRAM	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON
MSA	Billings, MT	very low-income	12700	14500	16350	18150	19600	21050	22500	23950
FY93 MEDIAN FAMILY INCOME: 36300		low-income	20360	23250	26150	29050	31350	33700	36000	38350
MSA	Great Falls, MT	very low-income	11250	12900	14600	16100	17400	18700	19950	21250
FY93 MEDIAN FAMILY INCOME: 32200		low-income	18050	20600	23200	25750	27800	29900	31950	34000
County	Beaverhead County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 29300		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Big Horn County	very low-income	11050	12800	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 24100		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Blaine County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 24600		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Broadwater County	very low-income	11050	12800	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 27900		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Carbon County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 26700		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Carter County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 23700		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Chouteau County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 30500		low income	17650	20150	22700	25200	27200	29250	31250	33250
County	Custer County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 30700		low income	17650	20150	22700	25200	27200	29250	31250	33250
County	Daniels County	very low-income	11050	12600	14150	15750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 27700		low-income	17660	20160	22700	25200	27200	29250	31250	33250
County	Dawson County	very low-income	11450	13100	14700	16360	17660	18960	20260	21600
FY93 MEDIAN FAMILY INCOME: 32700		low-income	18300	20950	23550	26150	28250	30350	32450	34550
County	Deer Lodge County	very low-income	11050	12600	14150	15750	17000	18260	19560	20800
FY93 MEDIAN FAMILY INCOME: 30800		low-income	17660	20160	22700	25200	27200	29250	31250	33250
County	Fallon County	very low-income	11050	12600	14150	15750	17000	18260	19560	20800
FY93 MEDIAN FAMILY INCOME: 31100		low-income	17660	20160	22700	25200	27200	29250	31250	33250
County	Fergus County	very low income	11050	12600	14150	15750	17000	18260	19560	20800
FY93 MEDIAN FAMILY INCOME: 29800		low-income	17660	20160	22700	25200	27200	29250	31250	33250
County	Flathead County	very low-income	11050	12600	14150	15750	17000	18260	19560	20800
FY93 MEDIAN FAMILY INCOME: 32900		low-income	18400	21050	23700	26300	28400	30550	32650	34750
County	Gallatin County	very low-income	12050	13750	15650	17200	18600	19950	21350	22700
FY93 MEDIAN FAMILY INCOME: 34400		low-income	19260	22000	24750	27500	29700	31900	34100	36360
County	Garfield County	very low-income	11050	12600	14150	15750	17000	18260	19560	20800
FY93 MEDIAN FAMILY INCOME: 24000		low-income	17660	20160	22700	25200	27200	29250	31250	33250
County	Glacier County	very low-income	11050	12600	14150	15750	17000	18260	19560	20800
FY93 MEDIAN FAMILY INCOME: 24800		low-income	17660	20160	22700	25200	27200	29250	31250	33250
County	Golden Valley County	very low-income	11050	12600	14150	15750	17000	18260	19560	20800
FY93 MEDIAN FAMILY INCOME: 22900		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Granite County	very low-income	11050	12600	14150	15750	17000	18260	19560	20800
FY93 MEDIAN FAMILY INCOME: 26300		low-income	17660	20160	22700	25200	27200	29250	31250	33250
County	Hill County	very low-income	12550	14300	16100	17900	19350	20750	22200	23650
FY93 MEDIAN FAMILY INCOME: 36800		low-income	20050	22900	26800	28660	30950	33200	35600	37800
County	Jefferson County	very low-income	14800	16900	19050	21150	22850	24550	26250	27900
FY93 MEDIAN FAMILY INCOME: 42300		low-income	23700	27060	31450	33850	36650	39260	41950	44650
County	Judith Basin County	very low-income	11050	12600	14150	15750	17000	18260	19560	20800
FY93 MEDIAN FAMILY INCOME: 30000		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Lake County	very low-income	11050	12600	14150	15750	17000	18260	19560	20800
FY93 MEDIAN FAMILY INCOME: 26800		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Lewis & Clark County	very low-income	13000	14900	16750	18600	20100	21600	23050	24550
FY93 MEDIAN FAMILY INCOME: 37200		low-income	20850	23800	26800	29750	32150	34500	36900	39300
County	Liberty County	very low-income	11300	12900	14550	16160	17450	18750	20050	21300
FY93 MEDIAN FAMILY INCOME: 32300		low-income	18100	20650	23250	25850	27900	29950	32050	34100
County	Lincoln County	very low-income	11050	12600	14150	15750	17000	18260	19560	20800

## AREA MEDIAN INCOME

## INCOME LIMITS BY HOUSEHOLD SIZE

COUNTY/MSA	NAME	PROGRAM	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON
FY93 MEDIAN FAMILY INCOME: 28900		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	McCone County	very low-income	11050	12600	14150	16750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 27400		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Madison County	very low-income	11050	12600	14150	16750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 30000		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Meagher County	very low-income	11050	12600	14150	16750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 25900		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Mineral County	very low-income	11050	12600	14150	16750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 28100		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Missoula County	very low-income	12250	14000	16750	17500	18900	20300	21700	23100
FY93 MEDIAN FAMILY INCOME: 36000		low-income	19600	22400	25200	28000	30250	32600	34700	36950
County	Musselshell County	very low-income	11050	12600	14150	16750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 23900		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Park County	very low-income	11050	12600	14150	16750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 29600		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Petroleum County	very low-income	11050	12600	14150	16750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 23700		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Phillips County	very low-income	11050	12600	14150	16750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 31000		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Pondera County	very low-income	11100	12700	14250	16850	17100	18400	19650	20900
FY93 MEDIAN FAMILY INCOME: 31700		low-income	17750	20300	22800	25350	27400	29400	31450	33450
County	Powder River County	very low-income	11050	12600	14150	16750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 31000		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Powell County	very low-income	11050	12600	14150	16750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 28000		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Prairie County	very low-income	11050	12600	14150	16750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 23200		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Ravalli County	very low-income	11050	12600	14150	16750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 28300		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Richland County	very low-income	11050	12600	14150	16750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 30300		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Roosevelt County	very low-income	11050	12600	14150	16750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 25300		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Rosebud County	very low-income	13250	16100	17000	18900	20400	21900	23450	24950
FY93 MEDIAN FAMILY INCOME: 37800		low-income	21150	24200	27200	30250	32650	35100	37500	39900
County	Sanders County	very low-income	11050	12600	14150	16750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 24600		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Sheridan County	very low-income	11050	12600	14150	16750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 29100		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Silver Bow County	very low-income	11900	13600	16300	17000	18350	19700	21100	22450
FY93 MEDIAN FAMILY INCOME: 34000		low-income	19050	21750	24500	27200	29350	31550	33750	36900
County	Stillwater County	very low-income	11850	13500	16200	16900	18250	19600	20950	22300
FY93 MEDIAN FAMILY INCOME: 33800		low-income	18950	21650	24350	27050	29200	31350	33550	36700
County	Sweet Grass County	very low-income	11050	12600	14150	16750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 29900		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Teton County	very low-income	11050	12600	14150	16750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 30300		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Toole County	very low-income	11950	13700	16400	17100	18450	19850	21200	22550
FY93 MEDIAN FAMILY INCOME: 34200		low-income	19150	21900	24600	27350	29550	31750	33950	36100
County	Treasure County	very low-income	11050	12600	14150	16750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 26600		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Valley County	very low-income	11050	12600	14150	16750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 31100		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Wheatland County	very low-income	11050	12600	14150	16750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 23700		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Wibaux County	very low-income	11050	12600	14150	16750	17000	18250	19550	20800
FY93 MEDIAN FAMILY INCOME: 27700		low-income	17650	20150	22700	25200	27200	29250	31250	33250
County	Yellowstone National Park	very low-income	12600	14400	16200	18000	19450	20900	22300	23750
FY93 MEDIAN FAMILY INCOME: 36000		low-income	20150	23050	26900	28800	31100	33400	36700	38000

## APPENDIX A.5

## HOME PROGRAM RENTS/FAIR MARKET RENTS

## HOME PROGRAM RENTS

## 6/1/93 HOME PROGRAM RENTS

COUNTY/MSA	NAME	PROGRAM	EFFICIENCY	1-BDRM	2-BDRM	3-BDRM	4-BDRM	5-BDRM	6-BDRM
MSA:	Billings, MT	FAIR MARKET RENT	384	487	660	688	771	886	1000
		60% RENT LIMIT	318	340	409	472	626	681	636
		66% RENT LIMIT	393	423	509	680	626	673	720
MSA:	Great Falls, MT	FAIR MARKET RENT	340	412	487	610	683	784	886
		60% RENT LIMIT	281	302	363	419	468	616	564
		66% RENT LIMIT	346	373	449	610	660	688	627
County:	Beaverhead	FAIR MARKET RENT	339	412	486	607	682	780	882
		60% RENT LIMIT	276	296	364	409	466	604	661
		66% RENT LIMIT	339	364	439	498	636	674	610
County:	Big Horn	FAIR MARKET RENT	318	388	467	672	641	736	831
		60% RENT LIMIT	276	296	364	409	466	604	561
		66% RENT LIMIT	339	364	439	498	636	674	610
County:	Blaine	FAIR MARKET RENT	316	386	461	666	635	726	820
		60% RENT LIMIT	276	296	364	409	466	604	561
		66% RENT LIMIT	339	364	439	498	636	674	610
County:	Broadwater	FAIR MARKET RENT	339	412	486	607	682	780	882
		60% RENT LIMIT	276	296	364	409	466	604	661
		66% RENT LIMIT	339	364	439	498	636	674	610
County:	Carbon	FAIR MARKET RENT	318	388	467	672	841	736	831
		60% RENT LIMIT	276	296	364	409	466	604	561
		66% RENT LIMIT	339	364	439	498	636	674	610
County:	Carter	FAIR MARKET RENT	318	388	467	672	641	736	831
		60% RENT LIMIT	276	296	364	409	466	604	561
		66% RENT LIMIT	339	364	439	498	636	674	610
County:	Chouteau	FAIR MARKET RENT	316	386	461	666	635	726	820
		60% RENT LIMIT	276	296	364	409	466	604	561
		66% RENT LIMIT	339	384	439	498	636	674	610
County:	Custer	FAIR MARKET RENT	318	388	467	672	641	736	831
		60% RENT LIMIT	276	296	364	409	466	604	561
		66% RENT LIMIT	339	364	439	498	636	674	610
County:	Daniels	FAIR MARKET RENT	318	386	461	666	635	726	820
		60% RENT LIMIT	276	298	364	409	466	604	561
		66% RENT LIMIT	339	364	439	498	636	674	610
County:	Dawson	FAIR MARKET RENT	318	388	467	672	641	736	831
		60% RENT LIMIT	286	307	368	426	474	623	672
		66% RENT LIMIT	363	379	467	619	669	698	638
County:	Deer Lodge	FAIR MARKET RENT	339	412	486	607	682	780	882
		60% RENT LIMIT	276	296	364	409	466	604	561
		66% RENT LIMIT	339	364	439	498	636	674	610
County:	Fallon	FAIR MARKET RENT	318	388	467	672	641	736	831
		60% RENT LIMIT	276	296	364	409	466	604	561
		66% RENT LIMIT	339	364	439	498	636	674	610
County:	Fergus	FAIR MARKET RENT	318	388	467	672	641	736	831
		60% RENT LIMIT	276	296	364	409	466	604	561
		66% RENT LIMIT	339	364	439	498	636	674	610
County:	Flathead	FAIR MARKET RENT	346	421	496	620	696	796	900
		60% RENT LIMIT	288	308	370	428	478	626	676
		66% RENT LIMIT	364	381	469	622	663	602	643
County:	Gallatin	FAIR MARKET RENT	373	460	544	673	768	876	990
		60% RENT LIMIT	301	323	388	448	499	661	602
		66% RENT LIMIT	371	399	481	547	691	634	876
County:	Garfield	FAIR MARKET RENT	318	388	467	672	641	736	831
		60% RENT LIMIT	276	296	364	409	466	604	561
		66% RENT LIMIT	339	364	439	498	636	674	610
County:	Glacier	FAIR MARKET RENT	316	386	461	666	635	726	820
		60% RENT LIMIT	276	296	364	409	466	604	561
		66% RENT LIMIT	339	364	439	498	636	674	610
County:	Golden Valley	FAIR MARKET RENT	318	388	467	672	641	736	831
		60% RENT LIMIT	276	286	364	409	466	604	561

## HOME PROGRAM RENTS

COUNTY/MSA	NAME	PROGRAM	EFFICIENCY	6/1/93 HOME PROGRAM RENTS					
				1-BDRM	2-BDRM	3-BDRM	4-BDRM	5-BDRM	6-BDRM
County:	Granite	66% RENT LIMIT	339	364	439	498	636	674	610
		FAIR MARKET RENT	339	412	486	607	682	780	882
		60% RENT LIMIT	276	296	364	409	466	504	661
County:	Hill	66% RENT LIMIT	339	364	439	498	636	574	610
		FAIR MARKET RENT	316	386	461	566	635	726	820
		60% RENT LIMIT	314	336	403	466	619	673	627
County:	Jefferson	66% RENT LIMIT	388	416	602	671	618	662	708
		FAIR MARKET RENT	339	412	486	607	682	780	882
		60% RENT LIMIT	370	396	476	560	614	677	740
County:	Judith Basin	66% RENT LIMIT	461	496	597	681	740	798	867
		FAIR MARKET RENT	318	388	467	672	641	736	831
		60% RENT LIMIT	276	296	364	409	466	504	661
County:	Lake	66% RENT LIMIT	339	364	439	498	636	574	610
		FAIR MARKET RENT	346	421	495	620	695	796	900
		60% RENT LIMIT	276	296	364	409	466	504	661
County:	Lewis & Clark	66% RENT LIMIT	339	364	439	498	636	574	610
		FAIR MARKET RENT	388	479	564	699	790	908	1026
		60% RENT LIMIT	325	349	419	484	640	696	661
County:	Liberty	66% RENT LIMIT	404	434	622	596	644	692	741
		FAIR MARKET RENT	316	386	461	566	636	726	820
		60% RENT LIMIT	283	303	364	420	469	517	665
County:	Lincoln	66% RENT LIMIT	348	374	461	512	561	590	629
		FAIR MARKET RENT	346	421	495	620	696	796	900
		60% RENT LIMIT	276	296	364	409	466	504	661
County:	McCone	66% RENT LIMIT	339	364	439	498	636	674	610
		FAIR MARKET RENT	318	388	467	572	641	736	831
		60% RENT LIMIT	276	296	364	409	466	504	661
County:	Madison	66% RENT LIMIT	339	364	439	498	636	574	610
		FAIR MARKET RENT	339	412	486	607	682	780	882
		60% RENT LIMIT	276	296	364	409	466	504	661
County:	Meagher	66% RENT LIMIT	339	364	439	498	536	574	610
		FAIR MARKET RENT	339	412	486	607	682	780	882
		60% RENT LIMIT	276	296	364	409	466	504	661
County:	Mineral	66% RENT LIMIT	339	364	439	498	536	574	610
		FAIR MARKET RENT	346	421	495	620	696	796	900
		60% RENT LIMIT	276	296	364	409	456	504	661
County:	Missoula	66% RENT LIMIT	339	364	439	498	536	574	610
		FAIR MARKET RENT	346	421	495	620	695	796	900
		60% RENT LIMIT	306	328	394	456	608	660	613
County:	Musselshell	66% RENT LIMIT	378	406	489	567	603	646	690
		FAIR MARKET RENT	318	388	467	572	641	736	831
		60% RENT LIMIT	276	296	364	409	466	504	661
County:	Park	66% RENT LIMIT	339	364	439	498	536	574	610
		FAIR MARKET RENT	339	412	486	607	682	780	882
		60% RENT LIMIT	276	296	364	409	466	504	661
County:	Petroleum	66% RENT LIMIT	339	364	439	498	536	574	610
		FAIR MARKET RENT	318	388	467	572	641	736	831
		60% RENT LIMIT	276	296	364	409	466	504	661
County:	Phillips	66% RENT LIMIT	339	364	439	498	536	574	610
		FAIR MARKET RENT	316	385	461	566	635	726	820
		60% RENT LIMIT	276	296	364	409	466	504	661
County:	Pondera	66% RENT LIMIT	339	364	439	498	536	574	610
		FAIR MARKET RENT	339	364	439	498	536	574	610
		60% RENT LIMIT	316	385	461	566	635	726	820
County:	Powder River	66% RENT LIMIT	278	298	366	412	460	507	665
		FAIR MARKET RENT	340	366	442	502	640	677	616
		60% RENT LIMIT	276	296	364	409	466	504	661
County:	Powell	66% RENT LIMIT	339	364	439	498	536	574	610
		FAIR MARKET RENT	339	412	485	607	682	780	882
		60% RENT LIMIT	276	296	364	409	466	504	661
County:	Prairie	66% RENT LIMIT	339	364	439	498	536	574	610
		FAIR MARKET RENT	318	388	467	572	641	736	831
		60% RENT LIMIT	276	296	364	409	466	504	661
County:	Ravalli	66% RENT LIMIT	339	364	439	498	536	574	610
		FAIR MARKET RENT	345	421	496	620	696	796	900

## HOME PROGRAM RENTS

6/1/93 HOME PROGRAM RENTS								
COUNTY/MSA	NAME	PROGRAM	EFFICIENCY	1-BDRM	2-BDRM	3-BDRM	4-BDRM	5-BDRM
County: Richland	Richland	60% RENT LIMIT	276	296	364	409	456	604
		65% RENT LIMIT	339	364	439	498	536	674
	Roosevelt	FAIR MARKET RENT	318	388	467	572	641	735
		60% RENT LIMIT	276	296	364	409	456	604
County: Roosevelt	Roosevelt	65% RENT LIMIT	339	364	439	498	536	674
		FAIR MARKET RENT	316	366	461	566	635	726
	Rosebud	60% RENT LIMIT	278	286	364	409	466	604
		65% RENT LIMIT	339	364	439	498	536	674
County: Rosebud	Rosebud	FAIR MARKET RENT	318	388	467	572	641	735
		60% RENT LIMIT	331	364	426	491	548	605
	Sanders	65% RENT LIMIT	410	441	531	605	655	704
		FAIR MARKET RENT	346	421	495	620	695	796
County: Sanders	Sanders	60% RENT LIMIT	276	296	364	408	466	604
		65% RENT LIMIT	339	364	439	488	536	674
	Sheridan	FAIR MARKET RENT	318	386	461	566	635	726
		60% RENT LIMIT	276	286	364	409	466	604
County: Sheridan	Sheridan	65% RENT LIMIT	339	364	438	498	536	674
		FAIR MARKET RENT	338	412	486	607	682	780
	Silver Bow	60% RENT LIMIT	298	319	383	442	493	544
		65% RENT LIMIT	366	394	476	540	564	626
County: Stillwater	Stillwater	FAIR MARKET RENT	318	388	467	572	641	735
		60% RENT LIMIT	296	317	380	439	490	541
	Sweet Grass	65% RENT LIMIT	365	393	472	537	580	621
		FAIR MARKET RENT	318	388	457	572	641	735
County: Sweet Grass	Sweet Grass	60% RENT LIMIT	276	296	364	409	466	604
		65% RENT LIMIT	339	364	439	498	536	674
	Teton	FAIR MARKET RENT	316	386	461	566	635	726
		60% RENT LIMIT	276	286	364	409	466	604
County: Teton	Teton	65% RENT LIMIT	339	364	439	498	536	674
		FAIR MARKET RENT	316	386	451	566	635	726
	Toole	60% RENT LIMIT	299	321	385	444	486	547
		65% RENT LIMIT	369	397	478	544	588	629
County: Toole	Toole	FAIR MARKET RENT	318	388	457	572	641	735
		60% RENT LIMIT	276	296	364	409	466	604
	Treasure	65% RENT LIMIT	339	364	439	498	536	674
		FAIR MARKET RENT	318	388	457	572	641	735
County: Treasure	Treasure	60% RENT LIMIT	276	296	364	409	466	604
		65% RENT LIMIT	339	364	439	498	536	674
	Valley	FAIR MARKET RENT	318	386	461	566	635	726
		60% RENT LIMIT	276	296	364	409	466	604
County: Valley	Valley	65% RENT LIMIT	339	364	439	498	536	674
		FAIR MARKET RENT	318	386	451	566	635	726
	Wheatland	60% RENT LIMIT	276	296	364	409	466	604
		65% RENT LIMIT	339	364	439	498	536	674
County: Wheatland	Wheatland	FAIR MARKET RENT	318	386	467	572	641	735
		60% RENT LIMIT	276	296	364	409	466	604
	Wibaux	65% RENT LIMIT	339	364	439	498	536	674
		FAIR MARKET RENT	316	388	457	572	641	735
County: Wibaux	Wibaux	60% RENT LIMIT	276	296	364	409	466	604
		65% RENT LIMIT	339	364	439	498	536	674
	Yellowstone National Park	FAIR MARKET RENT	339	412	486	607	682	780
		60% RENT LIMIT	316	338	406	468	523	676
		65% RENT LIMIT	390	419	504	574	621	667
								713



**APPENDIX A.6**  
**HOME PROGRAM APPLICATION FORM**



## INSTRUCTIONS

**FOR COMPLETION OF FEY 1995 HOME APPLICATION FORM**  
**Please leave the Application Form intact. Additional information**  
**should be appendicized.**

The Section in the upper right hand corner requiring the **DATE RECEIVED AND PROJECT #** are filled in by MDOC when your application is received.

### Instructions for APPLICATION FORM - Page 1

**AMOUNT OF FINANCING REQUESTED:** Amount of HOME funds you are requesting, including administrative funds.

**Applicant (name and address):** Fill in with name and address of the organization applying for funds.

**Chief Elected Official or Executive Dir:** If applicant is a local government, this name should be the highest ranking elected official; if applicant is a nonprofit, this should be the name of the Executive Director.

**Title:** Title of Chief Elected Official or Executive Director.

**Designated Contact Person:** This is the person who knows the most about the application and who will be the contact person during the application process. It may or may not be the person who will be project manager if the application is funded. Include address of Contact Person.

**Title:** Contact Person's title.

**Phone and Fax Numbers:** Contact Person's phone number and fax number.

**Short Project Description:** Provide a concise summary of the overall project goals and objectives for the proposed HOME funded activities.

**PROPOSED FUNDING SOURCES:**

1a) 1b) List the amount of HOME project and administration funds being requested.

2a) List the source and the amount of funds that will be used to achieve the applicable match requirements necessary for the type of HOME project(s) being proposed. The total funding for the project must meet the minimum threshold requirements and must be accompanied by a firm letter of commitment or the application proposal will not be ranked.

2b) List the source and the amount of funds that will be used as "leveraging" for the proposed project(s). Leveraged sources of funds will be ranked according to the level of firm commitments documented within the proposal.

3) List the total of all funds for your proposal.

**Instructions for APPLICATION FORM - Page 2**

**PROJECT BENEFICIARIES:**

Here enter the total ***number of persons*** from each income category who will be served by each of the proposed HOME funded activities.

**TYPE OF HOME ACTIVITIES:**

Check ALL category activities included in your project proposal.

**ENVIRONMENTAL ISSUES:**

Environmental reviews are required for all HOME funded projects, and this may result in additional costs and time for project completion. Identification of these activities at the application stage will help in determining the type of funds considered for your project, and will allow for early discussions of ways to mitigate those issues. The applicant is asked to provide information demonstrating the capacity of their organization to conduct an Environmental Review. HUD regulations specify that the Environmental Review for any project completed by a CHDO must be conducted by the unit of local government in whose jurisdiction the project is located. The CHDO must provide documentation that the unit of local government agrees to conduct the Environmental Review on their behalf.

**Instructions for APPLICATION FORM - Page 3**

**PROJECT LOCATION:**

Provide a description of the property and enclose maps as an Appendix, where applicable.

<b>SITE CONTROL STATUS:</b>	Enter current holder of the property title. If your project is not site specific or control of the site is not necessary to the project, leave blank.
<b>ZONING STATUS:</b>	Explain the status of the zoning on the project site and whether it needs to be changed. Include any restrictive zoning ordinances and building or residency covenants. If a zoning change is necessary, explain the steps being taken to accomplish the change and indicate when the final zoning will be approved. Attach additional information in Appendix, where applicable.
<b>ACQUISITION ISSUES:</b>	Check boxes and provide fair market value information as appropriate.
<b>RELOCATION &amp; DISPLACEMENT ISSUES:</b>	These questions reflect federal fund requirements in the areas of acquisition, relocation, and displacement. Identification of these requirements at the application stage will help you determine the type of funds needed for your project, and will allow for early discussions of ways to mitigate problems associated with these issues.

### **Instructions for APPLICATION FORM: MISCELLANEOUS INFORMATION**

<b>RESOLUTION TO SUBMIT</b>	Each applicant is required to submit a resolution from the local governing or board of directors authorizing the submission of the application. The resolution must accompany the application. A sample is provided following the Program Management section.
<b>CERTIFICATIONS FOR APPLICATION:</b>	Each applicant must certify that it will comply with all applicable state and federal laws when implementing their HOME projects. Please review the certifications and sign the certification.
<b>NARRATIVE SECTION:</b>	Provide concise responses to each question. Limit your responses to the space provided in the application or the page limitation listed in the question.
<b>BUDGET &amp; FUNDING SOURCES:</b>	

The budget narrative and form is completed by all applicants. If several sources of funds will be used to complete the project and they will be used for different activities, please separate the

amounts to be used and record them opposite the appropriate activity under the *Other Funds* columns. Please note if the funds listed are requested or committed at the time of application.

If your application is for funding to manage a single family owner occupied or rental rehabilitation program, the first section (Administration Costs) would show the administration/operation costs for the year and the second section for actual project costs.

If your application is for a new construction or a multi-family rental project, please complete the Administration Costs section using only the costs to administer the grant or loan. For example, if federal funds were awarded, these costs could include the salary of the staff member completing the environmental review, program and financial reports, etc. The remainder of the budget form would contain the cost of the actual construction or rehabilitation.

**CASH FLOW INFORMATION:**

Provide the requested information only if your proposal is for rental housing, a group home, or an assisted care facility.

**APPLICATION FORMAT**

Applicants must use the HOME Application Form. If the form is not used, the application will not compete in the ranking competition.

Attach other supporting documentation (letters confirming funding commitments, cost estimates, pictures, etc.) as an Appendix. Limit to an absolute minimum the number and types of documentation provided. Applications should be bound along the left margin in some manner. Tabs on the right side of the applications should be used to mark sections and appendices. Completed applications should include the following documents:

- Table of Contents
- Completed HOME Application
- Appendices or attachments
  - Certifications for Application, signed and dated;
  - Resolution to Authorize Application, signed and dated;
  - Certificate of Consistency with the State of Montana Consolidated Plan;
- Public Hearing notice and supporting documentation;
- Other supporting documentation.

**APPLICATION DEADLINE:** Applications for HOME projects must be delivered or postmarked on or before September 15, 1995. **Four copies** of the application and attachments must be submitted by applicants for HOME projects.

Copies of the completed application are submitted to:

Local Government Assistance Division  
Montana Department of Commerce  
1424 Ninth Avenue  
PO Box 200545  
Helena MT 59620-0545

If you have any questions regarding the HOME application process, please contact the HOME Program staff at (406) 444-0092.



Instructions for Requesting the  
FFY 1995 HOME APPLICATION FORM  
*on*  
***Computer Diskette***

Diskette Copy Available through:  
MONTANA DEPARTMENT OF COMMERCE  
Housing Assistance Bureau  
PO Box 200545  
Helena MT 59620-0545  
CONTACT PERSON: Wensley Krawczyk  
Phone: (406) 444-0092  
FAX: (406) 444-2903

**REQUESTING A DISKETTE COPY of the HOME Application Form:**

If you wish to receive a copy of the HOME Program Application on diskette, please provide MDOC with either a 3½" or a 5¼" floppy diskette, depending upon which type you wish to use with your own computer. You will also need to provide us with the following information so that the diskette copy of the application can be formatted for compatibility with your computer hardware and software:

- the name and version number of your word processing software [e.g., WordPerfect, ver 5.1; Microsoft (MS) Word, ver 2.0; WordStar, ver 5.0, etc.];
- the type of printer you will be using [e.g., Hewlett-Packard laser printer, Okidata or Epson dot matrix printer, Hewlett-Packard DeskJet printer, etc.]; and
- the type and size of fonts your word processing software and printer are capable of printing [e.g., scalable fonts - all sizes; scalable fonts in 8pt, 10pt, 12pt, and 14pt sizes only; fixed character per inch (cpi) sizes 12 cpi, 10 cpi, 17cpi (or 16.67 cpi) and 20 cpi]. The latter two cpi sizes are sometimes referred to as *condensed print*. Please note that your printer must be capable of using at least one of these condensed print sizes in order for you to use the disk version of the HOME Application Form. If you

have access to a scalable font, you should have no problem using the disk version of the form.

*Please note that you must check both your software and your printer capabilities.* It's possible that your word processing program can format different sizes and types of font styles which your printer is not capable of reproducing [see additional information below under "Checking Your Available Fonts"].

The HOME Application Form can be converted to the following word processing software formats:

AmiPro, versions 1.2, 1.2a, 1.2b, 2.0  
DisplayWrite, versions 4.0, 4.2, 5.0  
MS Word, versions 4.0, 5.0, 5.5  
MS Word for Windows, versions 1.0, 1.1, 1.1a, 2.0  
MultiMate, versions 3.3, 3.6, 4.0  
MultiMate Advantage II, version 1.0  
OfficeWriter, versions 6.0, 6.1, 6.11, 6.2  
Rich Text Format (RTF)  
WordPerfect, versions 4.2, 5.0, 5.1/5.2 (the 5.1/5.2 version can be read by WP ver 6.0)  
WordStar, versions 3.3, 3.31, 3.4, 4.0, 5.0, 5.5, 6.0  
WordStar 2000, versions 1.0, 2.0, 3.0  
XyWrite III Plus, versions 3.55, 3.56

## **CHECKING YOUR AVAILABLE FONTS:**

Computer printers and software programs are usually capable of producing one or both of the following types of fonts: scalable fonts and fixed character pitch fonts.

A *scalable font* is a style and size of print in which each character of the alphabet takes up a different amount of space in proportion to the amount of space the character actually needs; i.e., an "M" needs more space than an "I." In scalable fonts, each character can also be increased proportionately along a continuum of scale sizes (usually from about 6 pt to 48 pt, with smaller numbers indicating smaller point sizes, as in the difference between 8 pt and 18 pt). The word processing software program usually displays a selection of sizes for the user to select from. *Depending upon the capabilities of your printer*, it is sometimes possible to designate a point size that is not listed (e.g., to set the font at 9 pt, for example, even though only 8 pt and 10 pt sizes are displayed on the font menu). Other printers, such as the Hewlett-Packard DeskJet, are only capable of printing the font sizes listed in the software's font menu. Be sure to start your word

processing program and select the printer you intend to use before you check to see which font sizes are available from your font menu.

If you use *WordPerfect for Windows*, this menu can be accessed by pressing the F9 key. You will see a window on the left which lists the font types and styles available for use with the printer you have selected. Using the arrow keys to move down the list of fonts, you will see that the available point sizes are listed in a smaller window to the right for each *scalable font* type. The point sizes disappear when you highlight a font with a fixed character pitch (cpi). Most programs that operate in the *Windows* environment will have a font menu similar to the one described in this paragraph.

If you use *WordPerfect for DOS*, you can access the font menu by pressing Ctl+F8, and selecting Base Font. This will provide you with a listing of fonts that the selected printer can use. If you are using a word processing program other than *WordPerfect*, check your software manual to determine how to access the font menu.

A *fixed pitch font* is displayed with the designation cpi, rather than pt. Cpi stands for *characters per inch*, and each character of the alphabet takes up the same amount of space. Thus, an "I" uses the same amount of space as an "M." In contrast to scalable fonts, a *larger fixed character pitch* is indicated by a *smaller number*, i.e., 10 cpi indicates a font that is larger in size than 12 cpi. This is because the characters must be smaller in order to make 12 characters fit into a one-inch space, and the characters may be larger if only 10 characters will be printed within a one-inch space.

To understand this difference, compare the following font types and sizes:

This sentence is printed in CG Times scalable font, size 12 pt.

This sentence is printed in CG Times scalable font, size 10 pt.

This sentence is printed in Courier fixed font, size 12 cpi.

This sentence is printed in Courier fixed font, size 10 cpi.

## USING THE HOME APPLICATION FORM ON DISK:

The following tips are presented to help you use your diskette HOME Application Form with a minimum of trouble. If you do have problems or questions, feel free to contact the HOME staff at the number listed above.

1. DO NOT USE THE APPLICATION ON THIS DISKETTE: Keep this diskette as a backup copy. Make a second copy (a *working copy*) that you will actually use. If you

accidentally change the working copy or need to experiment with the form, you can always retrieve a fresh new copy of the original application form from this diskette if the working copy becomes corrupted.

2. **DON'T WAIT UNTIL THE APPLICATION DEADLINE TO USE THE COMPUTER FORM:** **Experiment with entering data on the computer form as soon as you can.** This will allow you sufficient time to research any problems or call MDOC for help.
3. When filling out the application form, **DO NOT use a font size smaller than the one set by MDOC or widen the margin settings.** While part of the application form had to be printed with small font sizes, your responses should not be printed in a *scalable font size* with a designation smaller than 12 pt. If you are using a dot matrix printer or have access only to *fixed pitch fonts*, use only font sizes 12 cpi or 10 cpi. Do not use font sizes 17 cpi or 20 cpi or change the margin settings. Use the space formatted for the narratives, and provide additional documentation in an appendix if necessary.
4. The HOME Application form was developed using the *WordPerfect* word processing software, version 5.2 for Windows. The form can be converted to different versions of *WordPerfect* and to different software applications (see listing above). However, it has been our experience that the *table forms* used on the first six pages of the HOME application sometimes do not transfer well into programs other than *WordPerfect*. We can only suggest that you experiment with the form on your own machine to determine whether it will be useable with your software application.
5. The shaded cells within the different table forms of the HOME Application Form have been **locked** (i.e., the titles and category headings of the tables). This was done to help you avoid accidentally typing in those boxes where no information is needed. For ease of use, you should **move between cells of the tables by means of the [Tab] key rather than using the arrow keys [↑ ↓ ← →].** This means you will be entering data across the columns rather than down the rows. If this is a problem, please call the MDOC contact person listed above.
6. If you delete something accidentally, you can recover from this mistake by using *WordPerfect's undo* function (under the edit menu in *WordPerfect* for Windows) or the **undelete** code for either Windows or DOS *Wordperfect*.

**Application Form**

**MONTANA DEPARTMENT OF COMMERCE**  
**HOME INVESTMENT PARTNERSHIPS PROGRAM**  
**FFY 1995**

Date Received

Project #

AMOUNT OF HOME FINANCING REQUESTED:  
\$**APPLICATION INFORMATION**

APPLICANT (Name and Address)

Chief Elected Official or Executive Director

Title of Official:

CONTACT PERSON for Application (Name &amp; Address)

Contact Person's TITLE:

Contact Person's PHONE NUMBER:

Contact Person's FAX NUMBER:

**SHORT PROJECT DESCRIPTION:**

**PROPOSED FUNDING SOURCES:** Match sources must be accompanied by firm letter(s) of commitment, or application will not be ranked. Other leveraged funding sources will be ranked according to the level of documented firm commitment.

	1a)\$	HOME Project Funds Requested
	1b)\$	HOME Administration Funds Requested
1) \$		Total HOME Funds Requested (Total of Lines 1a & 1b)
	2a)\$	SUB-TOTAL of MATCH Sources: Local Match: _____ Amount: _____ % grant: _____ Local Match: _____ Amount: _____ % grant: _____
	2b)\$	SUB-TOTAL of LEVERAGE Sources: Source: _____ Amount: _____ % grant: _____ Source: _____ Amount: _____ % grant: _____ Source: _____ Amount: _____ % grant: _____
2) \$		TOTAL of Funds to be Supplied by Applicant (Total of Lines 2a & 2b)
3) \$		TOTAL of ALL PROJECT FUNDS (Total of Lines 1 & 2)

PROJECT BENEFICIARIES: Number of HOUSEHOLDS Activity Will Serve Directly by % of Median Income				
Type of HOME ACTIVITY	0-50% of Median	51%-65% of Median	66%-80% of Median	TOTAL # of Households
1)				
2)				
3)				
4)				

**TYPE OF ACTIVITIES: (check ALL that apply)**

New Construction - Homeowner units	Acquisition - First-Time Homebuyers
New Construction - Rental units	Acquisition - Rental units
Housing Rehab - Homeowner units	Acquisition - Land ONLY
Housing Rehab - Rental units	Tenant-Based Rental Assistance
Other (describe):	

**ENVIRONMENTAL ISSUES:**

YES	NO	
		1) Are there any unique factors at the proposed activity site(s) that must be considered in terms of slope, erosion, or soils?
		2) Is the project area within or adjacent to a 100-year floodplain, similar flood-prone area, or area of stormwater drainage discharge?
		3) Would the proposed project have a potential adverse impact on either surface water quality or an underground aquifer?
		4) Would the project have a potential adverse impact on existing wildlife or fish habitat, or an endangered animal or plant species?
		5) Would the project alter or disturb wetlands (swamps, marshes, bogs, wet meadows, river overflows, natural ponds, mud flats)?
		6) Would the proposed project have any effect on existing area air quality?
		7) Would the proposed project have any effect on historic structures, properties, or archaeological resources?
		8) Would the proposed project impact prime, unique, or statewide designated or locally important farmland?
		9) Would the proposed project be adversely affected by aircraft, highway, or railroad noise?
		10) Would the proposed project be located near a hazardous facility (chemical or petrochemical gas or liquid storage facilities, including propane gas storage tanks)?
		11) Would the proposed project be constructed within or adjacent to an airport clear zone (area adjacent to the ends of an airport runway)?

NOTE: If you answered YES to any of the above, what alternatives have been considered? How do you plan to mitigate any potential adverse effects, or address any special or unique site factors? (appendicize additional information if necessary)

Please demonstrate the capacity of your organization to conduct an Environmental Review within the state and federal statutory requirements related to the HOME Program. If you are a CHDO, provide documentation that the local government will conduct the Environmental Review on your behalf (appendicize additional information if necessary)

**PROJECT LOCATION** (Describe location and enclose maps as Appendix, where applicable).

<b>SITE CONTROL STATUS (check ONE)</b>		<b>ZONING STATUS</b>
<input type="checkbox"/>	Owned	Please describe zoning status, and identify any relevant zoning ordinances and restrictive covenants.
<input type="checkbox"/>	Optioned	
<input type="checkbox"/>	Leased	
<input type="checkbox"/>	Other (Explain):	

<b>YES</b>	<b>NO</b>	<b>ACQUISITION ISSUES:</b>
		Will the proposed project involve the <b>acquisition</b> of any land or buildings?
		If YES, has the <b>Fair Market Value</b> of the property been established?
		If YES, has <b>seller/owner</b> been <b>notified</b> of the Fair Market Value?
		If YES, <b>DATE OF NOTIFICATION:</b>
How has Fair Market Value been established?		

If by appraisal, <b>DATE OF APPRAISAL:</b>		
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<b>YES</b>	<b>NO</b>	<b>RELOCATION AND DISPLACEMENT ISSUES:</b>
		1) Do you have an <b>Antidisplacement and Relocation Assistance Plan</b> ?
		2) Will the proposed project activity result in a <b>change in use</b> of existing housing units?
		3) Are any <b>persons currently living</b> on the project site?

**NOTE:** If you answered YES to #3 above, please describe the types and amounts of relocation assistance you plan to provide. What steps have been taken to minimize displacement? Summarize relevant sections of your Antidisplacement and Relocation Assistance plan, and include a copy of this plan as an Appendix. (use blank page for insert if necessary)

What plans have been developed to **replace existing units** occupied by low-income persons and to ensure that the new units stay at or below "Fair Market Rent" for 10 years?



## PROGRAM OVERVIEW

Please describe in one to two pages the general concept underlying your HOME proposal. Be descriptive. Include a discussion of the specific types of HOME activities that will be undertaken, who will be affected (i.e., how many and what types of people will be served); and the funding sources involved.

**PROGRAM OVERVIEW (if continued)**

**PLANNING PROCESS**

A1. Please provide a narrative describing your community's planning process. Include a brief statement of your community's long-term housing plan. (If a local plan has been developed, please include as Appendix.) Demonstrate how the applicant has developed a reasonable and achievable plan by matching local housing needs with local, state and federal sources of funding, and has taken into consideration all local factors, including local planning and zoning policies.

**PLANNING PROCESS:**

A2. *Provide evidence and explain the methods used to encourage any citizen participation during the Planning Process. Describe how the citizen participation was incorporated into the assessment and prioritization of the overall housing needs in your community and into the development of the project..*

**HOUSING NEEDS**

B1. Provide in narrative form (two pages maximum) a justification detailing why your housing proposal is the most appropriate application of limited public funds, and demonstrate how this proposal is addressing your community's greatest housing need. If your proposal does not address your number one housing priority, please explain why a lower housing priority was chosen. In addition, please explain the housing project alternatives you considered prior to selecting the activity presented in this proposal. Where appropriate, include housing needs assessments, housing condition surveys, and other documentation as appendices).

**COMMUNITY EFFORTS**

C1. Demonstrate that the level of local public and private sector financial participation in the proposed project is the maximum that can reasonably be expected.

**COMMUNITY EFFORTS:**

C2. Demonstrate how non-financed efforts undertaken in the community and/or project area are complimentary to and in support of the proposed HOME project. Examples might include such activities as community or neighborhood "cleanup", "paint-up", "fix-up" campaigns; establishment of housing tax incentives; adoption of "community decay" ordinances for blight removal; and efforts to aggressively enforce the *Uniform Code for the Abatement of Dangerous Buildings*. CHDOs should demonstrate efforts to work with community leaders and officials to facilitate such activities.

**IMPLEMENTATION STRATEGY**

D1. Provide an Implementation Schedule that provides an overview of major activities and approximate dates of completion. Include in the schedule the pre-planning activities taken to ensure that project activities can commence quickly if funds are awarded.

**IMPLEMENTATION STRATEGY:**

D2. Describe the method you will use to identify HOME Program beneficiaries. Demonstrate how you will analyze the financial situation of each person requesting assistance (taking into account the different financial capacities of each person requesting assistance), and will comply with applicable HOME Program regulations.

**IMPLEMENTATION STRATEGY:**

D3. Demonstrate how the applicant has realistically assessed the willingness of potential HOME Program beneficiaries to participate in the proposed housing project.

**IMPLEMENTATION STRATEGY:**

D4. Demonstrate how the HOME cost per housing unit, per activity, has been estimated in relation to: the housing standard that your organization proposes to achieve; the severity of needs described in the application; and the necessity for meeting all applicable state and federal building requirements (e.g., handicap accessibility, Davis-Bacon wage rates, cost-energy efficiency standards, Section 8 housing quality standards). In addition, provide the total square footage of the building and the total cost per square foot. If existing structures are to be rehabilitated for multiple family housing or if new housing construction is proposed, **provide preliminary site and floor plans** and additional applicable information such as local zoning and subdivision review requirements.

**PROGRAM MANAGEMENT**

E1. Demonstrate how the applicant has considered HOME Program "Special Requirements" applicable to the proposed housing project. Please provide Policies and Procedures in appendix form.

**PROGRAM MANAGEMENT:**

E2. Complete the budget form on the following pages. In the space provided below, provide a concise line-item narrative justification for each budget item (use extra pages only if necessary)

**ADMINISTRATION**

	<b>HOME FUNDS</b>	<b>OTHER (Specify)</b>	<b>OTHER (Specify)</b>	<b>OTHER (Specify)</b>	<b>TOTAL PROJ BUDGET</b>
Personnel Services					
Supplies					
Communications					
Printing/Duplication/Postage					
Advertising					
Accounting/Auditing					
Travel					
Training					
Other Admin.					
<b>TOTAL Administration Costs</b>					

**ACQUISITION**

Purchase Price					
Lien & Other Taxes					
Closing & Recording					
Other Requisition					
<b>TOTAL Acquisition Costs</b>					

**PRE-DEVELOPMENT**

Appraisal					
Architect & Engineering Fees					
Legal Fees					
Other Pre-Development					
<b>TOTAL Pre-Development Costs</b>					



CONSTRUCTION		HOME FUNDS	OTHER (Specify)	OTHER (Specify)	OTHER (Specify)	TOTAL PROJ BUDGET
New Construction						
Rehabilitation						
Infrastructure/Improvements						
Contingency						
Hazardous Material Abatmt						
Project Management						
Permits & Fees						
Construction Loan Fees & In						
Other Construction:						
<b>TOTAL Construction Costs</b>						

DEVELOPMENT		Real Estate Tax	Insurance	Developer Fee	Relocation	Technical Assistance	Other Development:	<b>TOTAL Development Costs</b>
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OPERATING		Services	Rent/Mortgage_Subsidies	Operating_Expenses	Supportive Services	Other	<b>TOTAL Operating Costs</b>	<b>TOTAL PROGRAM COSTS</b>
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## SOURCES AND USES STATEMENT

Please list sources and uses of debt and equity in the project. Include financing, grants, donations and equity. Attach letter(s) of commitment, in the Appendix. Identify each source as to TYPE by noting after name (L) for loan (G) for Grant, or (E) for Equity and DESCRIPTION CODE by entering one of the codes from the list at the bottom. Indicate whether (P) Proposed, (R) Requested, or (A) Approved in the status column. List both the funding source and the agency which administers the program.

## LIST ALL SOURCES OF PROJECT FUNDING

## DESCRIPTION CODES

1. AHP Subsidized Financing	2. Other Loans (Conventional)	3. Low-Income Housing Tax Credit
4. Equity	5. Other Subsidies	6. Housing Agency Bond
7. State & Local Grants	8. Foundations	9. Other Grants
10 HOME	11. Rental Rehabilitation	12. Other HUD
13 Other Loans (subsidized)		

**PROGRAM MANAGEMENT:**

E3. Complete the cash flow form on the next two pages if your proposal is for **rental housing, a group home, or assisted care facility**. Provide 1-year, 5-year, and 10-year cash flow projections. In the space provided below provide a cash flow narrative (use one extra page if necessary).

**FORECASTED PROJECT CASH FLOW STATEMENT  
(INCOME AND EXPENSE STATEMENT)**

This form is **mandatory** if your project is for rental housing, a group home, or an assisted care facility. Provide 1-year, 5-year, and 10-year cash flow projections.

<b>FORECASTED PROJECT CASH FLOW - INCOME</b>								
Name of Applicant:								
					YEAR ONE	YEAR FIVE	YEAR TEN	
					1. POTENTIAL GROSS INCOME			
UNITS	0Bdrm	1Bdrm	2Bdrm	3Bdrm	4Bdrm			
# Units								
RENTS								
1a) Parking Income								
1b) Laundry Income								
1c) Other Income								
2. Current Vacancy Rate (%)								
3. EFFECTIVE GROSS INCOME:								

<b>PROJECTED CASH FLOW - EXPENSES</b>							
					YEAR ONE	YEAR FIVE	YEAR TEN
					MANAGEMENT AND ADMINISTRATION		
4. Management Fee							
5. Site Manager Salary							
6. Legal and Audit							
7. TOTAL Management & Administrative:							
UTILITIES							
8. Utilities							
9. Trash							
10. Other							
11. TOTAL Utilities Expenses:							
REPAIRS & MAINTENANCE							
12.. Repairs							
13. Maintenance							
14. Furnishings/Supplies							
15. TOTAL Repairs & Maintenance:							
continued on next page							

	YEAR ONE	YEAR FIVE	YEAR TEN
<b>INSURANCE &amp; TAXES</b>			
16. Fire & Liability Insurance			
17. Real Estate Taxes			
18. <b>TOTAL Insurance &amp; Taxes:</b>			
<b>RESERVES</b>			
19. Replacement Reserves			
20. Operating Reserves			
21. <b>TOTAL Reserves:</b>			
22. <b>TOTAL OPERATING EXPENSES</b>			
23. <b>NET OPERATING INCOME</b>			
<b>TOTAL DEBT SERVICE</b>			
24. First Mortgage			
25. Second Mortgage			
26. Other Debt Service			
27. <b>TOTAL DEBT SERVICE</b>			
<b>PROJECTED CASH FLOW:</b>			

**PROGRAM MANAGEMENT:**

E4. Describe how your organization's financial management procedures incorporate other funding sources or organizations that will be involved in the project. Describe how all finances and personnel will be coordinated and directed.

**PROGRAM MANAGEMENT:**

E5. Provide a narrative summary of your Management Plan, and submit a copy of the full plan as an Appendix to this application.

**PROGRAM MANAGEMENT**

E6. If income is to be generated by HOME-funded activities, please summarize your organization's Program Income Plan, describing the proposed use of that money and any long-term administrative mechanisms. **If your organization has a HOME program income portfolio, please provide an account balance and summary of past program income funded activities.**

MONTANA DEPARTMENT OF COMMERCE  
HOME INVESTMENT PARTNERSHIP PROGRAM (HOME)

**SAMPLE RESOLUTION TO AUTHORIZE SUBMISSION OF APPLICATION**

**NOTE: Each applicant is required to submit a resolution from the local governing body authorizing submission of the application. The following is a sample format.**

WHEREAS, the (Town of \_\_\_\_\_, the City of \_\_\_\_\_, \_\_\_\_\_ County, name of CHDO, ) is applying to the Montana Department of Commerce for a HOME Investment Partnership Program Grant to (describe purpose of project);

That the (Town of \_\_\_\_\_, the City of \_\_\_\_\_, \_\_\_\_\_ County or name of CHDO) agrees to conform with the regulations, statutes, terms and conditions described in the HOME Certifications for Application; and

That (name of Chief Elected Official, or Chief Executive Officer), (title) is authorized to submit this application to the Montana Department of Commerce, on behalf of the Town of \_\_\_\_\_, the City of \_\_\_\_\_, \_\_\_\_\_ County or name of CHDO), to act on behalf of (name of City, Town, County or name of CHDO ) and to provide such additional information as may be required.

Signed: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Attested: \_\_\_\_\_

**CERTIFICATIONS FOR APPLICATION**

Each applicant must agree to comply with all applicable state and federal laws and regulations in implementing their proposed HOME project.

Listed in the following Certifications for Application are the most important federal regulations that apply to projects using HOME funds. They cover a wide range of issues including environmental impacts, labor standards, employment practices, financial procedures, and civil rights, many of which can have an effect on the costs or complexity of project implementation. Each federal law or regulation is annotated to give the applicant a general understanding of the requirements that must be met. This is a brief summary, and not intended to be a comprehensive description of each law. Local officials who have any questions or concerns regarding the applicability of these requirements should contact the Department of Commerce for guidance.

**MONTANA DEPARTMENT OF COMMERCE  
MONTANA HOME INVESTMENT PARTNERSHIP PROGRAM (HOME)**

**CERTIFICATIONS FOR APPLICATION**

The Applicant hereby certifies that:

**ACCEPTANCE OF HOME PROGRAM REQUIREMENTS**

It will comply with all applicable parts of the National Affordable Housing Act of 1990 which have not been cited herein, as well as with other applicable federal laws and regulations.

It will comply with all requirements established by the Department of Commerce and applicable State laws, regulations, and administrative procedures.

It accepts the terms, conditions, selection criteria, and procedures established by the Montana HOME Investment Partnership Program (HOME) and expressly waives any statutory or common law right it may have to challenge the legitimacy and propriety of these terms, conditions, criteria, and procedures in the event that it is not selected for an award of HOME funds.

**ACQUISITION, DISPLACEMENT AND RELOCATION**

It will minimize displacement as a result of activities assisted with HOME funds and assist persons actually displaced.

It will comply with:

- The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (The Uniform Act - URA), 42 U.S.C. 4201-4655, as amended, and the implementing regulations in 49 CFR, Part 24, and the requirements of section 570.496a. These laws and accompanying regulations require the grantee to provide relocation payments and offer relocation assistance to all persons displaced as a result of an activity assisted under the HOME Program. Such payments and assistance must be provided in a fair, consistent and equitable manner that ensures that the relocation process does not result in a different or separate treatment of such persons on account of race, color, religion, national origin, sex, source of income, age, handicap, or familial status (families with children). The grantee must assure that, within a reasonable period of time prior to displacement, decent, safe and sanitary replacement dwellings will be available to all displaced families and individuals, and that the range of choices available to such persons will not vary on account of their race, color, religion, national origin, sex, source of income, age, handicap, or familial status (families with children); that such individuals or families are reimbursed for all reasonable out-of-pocket expenses incurred in connection with the relocation; and that appropriate advisory services are made available to such displaced persons; and
- The requirements for informing affected persons of their rights and of the acquisition policies and procedures set forth in the regulations of 49 CFR, Part 24, Subpart B, and the Fair Housing Act (42 U.S.C. 3601-19)

It will adopt a formal resolution which outlines in detail the specific policies and procedures it will follow in conforming to the laws and regulations relating to acquisition, displacement and relocation. This resolution must include, at a minimum, the requirements set forth in the Antidisplacement and Relocation Assistance Plan adopted by the Montana Department of Commerce for the Montana HOME Program [reference Appendix 12].

## BUILDING STANDARDS

It will require every building or facility (other than a privately owned residential structure) designed, constructed, or altered with funds provided under the Montana HOME Program to comply with the "American Standard Specifications for Making Buildings and Facilities Accessible to, and Usable by, the Physically Handicapped," Number A-117.1R 1971, subject to the exceptions contained in CFR 101-19.604. It will also comply with the Architectural Barriers Act of 1968 and HUD regulations 24 CFR, Part 8, "Nondiscrimination Based on Handicap in Federally Assisted Activities of HUD." The applicant will be responsible for conducting inspections to insure compliance with these specifications by the contractor; and will comply with HUD Cost-Effective Energy Standards, 24 CFR, Part 39.

## CITIZEN PARTICIPATION

It will comply with the instructions in the HOME Application Guidelines with regard to citizen participation.

## CIVIL RIGHTS, EQUAL OPPORTUNITY, AND FAIR HOUSING REQUIREMENTS

### Civil Rights

It will comply with Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.), as amended, and the regulations issued pursuant thereto (24 CFR, Part 1), which provide that no person in the United States shall on the grounds of sex, race, color, national origin or religion be excluded from participation in, be denied in the benefits of, or be otherwise subjected to discrimination under any program or activity for which the applicant received Federal financial assistance. Applicant will immediately take any measures necessary to effectuate this assurance. If any real property or structure thereon is provided or improved with the aid of Federal financial assistance extended to the applicant, this assurance shall obligate the applicant, or in the case of any transfer of such property, any transferee, for the period during which the real property or structure is used for a purpose for which the Federal financial assistance is extended, or for any other purpose involving the provision of similar services or benefits.

It will comply with Section 504 of the *Rehabilitation Act of 1973*, as amended; and the *Americans with Disabilities Act (ADA) of 1990*. These federal laws essentially extend to the handicapped and disabled those civil rights which are extended to the protected groups described in the above paragraph (sex, race, color, national origin and religion).

### Equal Opportunity

It will comply with:

- Subpart H of the National Affordable Housing Act of 1990 as amended, and the regulations issued pursuant thereto (24 CFR, Part 92, Section 92.350), which provides that no person in the United States shall, on the grounds of race, color, national origin, sex, or religion be excluded from participation in, be denied the benefits of, or be subjected to discrimination under, any program or activity funded in whole or in part with funds provided under the Act;
- the Age Discrimination Act of 1975, as amended (42 U.S.C. 6101 et seq.), and the implementing regulations pursuant thereto, including 24 CFR, Part 146). The act provides that no person shall be excluded from participation, denied program benefits or subjected to discrimination on the basis of age under any program or activity receiving federal funding assistance;
- Section 504 of the Rehabilitation Act of 1973, amended (29 U.S.C. 794), and the implementing regulations pursuant thereto, including 24 CFR, Part 8. The act provides that no otherwise qualified individual shall, solely, by reason of his or her handicap, be excluded from participation (including employment), denied

program benefits or subjected to discrimination under any program or activity receiving federal assistance funds;

- Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) (24 CFR, Part 135). Section 3 of the Housing Act of 1968 requires, in connection with the planning and carrying out of any project assisted under the Act, to the greatest extent feasible, opportunities for training and employment be given to lower-income persons residing within the unit of local government or the non-metropolitan county in which the project is located, and contracts for work in connection with the project be awarded to eligible business concerns which are located in, or owned in substantial part, by persons residing in the project area. The grantee must assure good faith efforts toward compliance with the statutory directive of Section 3; and
- Executive Order 11246, as amended by Executive Orders 11375 and 12086, and the regulations issued pursuant thereto (24 CFR, Part 130, 41 CFR, Chapter 60, and 3 CFR 1964-65, Comp., p. 339) prohibit a HOME recipient and subcontractors, if any, from discriminating against any employee or applicant for employment because of race, color, religion, sex or national origin. The grantee and subcontractors, if any, must take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, sex or national origin. Such action must include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rate of pay or other forms of compensation; and selection for training, including apprenticeship. The grantee and subcontractors must post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this nondiscrimination clause. For contracts over \$10,000 the grantee or subcontractors will send to each applicable labor union a notice of the above requirements; the grantee and all subcontractors must comply with relevant rules, regulations and orders of the U.S. Secretary of Labor. The grantee or subcontractors must make their books and records available to State and federal officials for purposes of investigation to ascertain compliance.
- Executive Orders 11625, 12432, and 12138 require that concerted efforts be made to encourage the use of minority and women's business enterprises in connection with HOME-funded activities. The grantee must make concerted efforts to include, to the maximum extent possible, minorities and women, and entities owned by minorities and women, including, but not limited to, real estate firms, construction firms, appraisal firms, management firms, financial institutions, investment banking firms, underwriters, accountants, and providers of legal services in the procurement of property and services connected with HOME project activities.

#### Fair Housing

It will affirmatively further fair housing and will comply with:

- Title VIII of the Civil Rights Act of 1968 (AKA The Fair Housing Act) (42 U.S.C. 3601 et seq.), as amended by the Fair Housing Amendments Act of 1988 and the implementing regulations issued pursuant thereto, including 24 CFR, Part 100; Executive Order 11063, as amended by Executive Order 12259; 3 CFR 1958-1963 Comp., p. 652; 3 CFR 1980 Comp., p. 307; and 24 CFR, Part 107. The law states that it is the policy of the United States to prohibit any person from discriminating in the sale or rental of housing, the financing of housing, or the provision of brokerage services, including in any way making unavailable or denying a dwelling to any person because of race, color, religion, sex, national origin, handicap, or familial status. HOME grantees must also administer programs and activities relating to housing and community development in a manner that affirmatively promotes fair housing and furthers the purposes of Title VIII; and
- Executive Order 11063, as amended by Executive Order 12259, requires HOME recipients to take all actions necessary and appropriate to prevent discrimination because of race, color, religion, creed, sex or national origin; in the sale, leasing, rental and other disposition of residential property and related facilities

(including land to be developed for residential use); or in the use or occupancy thereof if such property and related facilities are, among other things, provided in whole or in part with the aid of loans, advances, grants or contributions from the federal government.

### **Affirmative Marketing**

It will adopt affirmative marketing procedures for HOME-assisted housing containing 5 or more housing units. These procedures will be designed to actively provide information and other means to attract eligible persons from all racial, ethnic, and gender groups to the available housing. These procedures will conform to the affirmative marketing requirements for the Rental Rehabilitation Program (24 CFR, Part 511). These procedures must include methods for informing the public, owners, and potential tenants which will incorporate the use of Equal Housing Opportunity logotype and slogans in press releases and other communications, and specific efforts to inform and solicit applications from persons not likely to apply for the housing without special outreach.

It will maintain such records as necessary to allow HOME officials to annually assess the affirmative marketing program in order to determine the success of affirmative marketing actions and require any necessary corrective actions.

### **Consolidated Plan**

It will ensure that its Equal Opportunity and Fair Housing policies for the HOME project are consistent with the local Consolidated Plan, if applicable, and/or the Montana State Consolidated Plan.

### **DRUG FREE WORKPLACE**

It will ensure that it will adopt a policy to provide a drug free work place.

### **SITE AND NEIGHBORHOOD STANDARDS**

It will ensure that it meets the federal requirements for new construction projects with regard to site and neighborhood standards from 24 CFR 882.708(c), which places limiting conditions on building in areas of "minority concentration" and "racially mixed" areas. In essence, these regulations require that persons utilizing HOME funds will avoid any action which would ultimately increase the racial segregation in the community.

### **ENVIRONMENTAL REQUIREMENTS**

#### **Air Quality**

It will comply with the Clean Air Act (42 U.S.C. 7401, et seq.) which prohibits engaging in, supporting in any way or providing financial assistance for, licensing or permitting, or approving any activity which does not conform to the State implementation plan for national primary and secondary ambient air quality standards.

#### **Environmental Impact**

It will comply with:

- Subpart H of the National Affordable Housing Act of 1990 with regard to the environmental impact of HOME-funded activities [24 CFR, Part 92, Section 92.352.] This section expresses the intent that "the policies of the National Environmental Policy Act of 1969 and other provisions of law which further the purposes of such Act

be most effectively implemented in connection with the expenditure of funds under" the Act. Such other provisions of law which further the purpose of the National Environmental Policy Act of 1969 are specified in regulations issued pursuant to Section 104(f) of the Act and contained in 24 CFR, Part 58; and

-- The National Environmental Policy Act of 1969 (42 U.S.C. Section 4321, et seq. and 24 CFR, Part 58). The purpose of this Act is to attain the widest use of the environment without degradation, risk to health or safety or other undesirable and unintended consequences. Environmental review procedures are a necessary part of this process. These requirements are substantially the same as those for the Rental Rehabilitation Program, except that reviews for new construction and substantial rehabilitation activities may require substantially more detail. Pursuant to these provisions, the grantee must also submit environmental certifications to the Department of Commerce when requesting that funds be released for the project. The grantee must certify that the proposed project will not significantly impact the environmental regulations and that it has fulfilled its obligations to give public notice of the funding request, environmental findings and compliance performance. Special issues relating to environmental responsibility for HOME projects include:

- guidelines concerning floodplains and wetlands in new construction (see related section in this document);
- all requirements outlined in 24 CFR, Part 35, which contains the regulations implementing the Lead-Based Paint Poisoning Prevention Act; as well as the new guidelines currently being prepared by HUD to address such new issues as control and clean-up of lead dust and lead hazards associated with abatement activities;
- disposal of lead-filled filters, lead-painted debris, and clean-up and shower water containing lead;
- handling and disposal of asbestos; and
- noise abatement in new construction.

chief executive officer or other office of applicant approved by the State:

1. consents to assume the status of responsible federal official under the National Environmental Policy Act of 1969 (NEPA) and other provisions of federal law, as specified in 24 CFR, Part 58, which further the purposes of NEPA, insofar as the provisions of such federal law apply to the HOME Investment Partnership Program; and
2. is authorized and consents on behalf of the applicant and himself to accept the jurisdiction of the Federal courts for the purpose of enforcement of his responsibilities as such an official.

acknowledges that all necessary environmental reviews must be completed, and Requests for Release of Funds (RROF) completed and approved for submission to HUD before HOME funds will be committed.

#### **EPA List of Violating Facilities**

will ensure that the facilities under its ownership, lease or supervision which shall be utilized in the accomplishment of the program are not listed on the U.S. Environmental Protection Agency's (EPA) List of Violating Facilities and that it will notify the Department of Commerce of the receipt of any communication from the EPA Office of Federal Activities indicating that a facility to be used in the project is under consideration for listing by EPA.

#### **Farmlands Protection**

will comply with the Farmlands Protection Policy Act of 1981 (7 U.S.C. 4202, et seq.) and any applicable regulations (7 CFR, Part 658) which established compliance procedures for any federally assisted project which will convert farmlands designated prime, unique or statewide or locally important to non-agricultural uses.

## Floodplain Management and Wetlands Protection

It will comply with:

- the Flood Disaster Protection Act of 1973, Public Law 93-234, 87 Stat. 975, approved December 31, 1973. Section 102(a) required that, on and after March 2, 1974, the purchase of flood insurance in communities where such insurance is available, and participation by the community in the National Flood Insurance Program, as conditions for the receipt of any federal financial assistance for construction or acquisition purposes for use in any area that has been identified by the Secretary of the Department of Housing and Urban Development as an area having special flood hazards. The phrase "federal financial assistance" includes any form of loan, grant, guaranty, insurance payment, rebate, subsidy, disaster assistance loan or grant, or any other form of direct or indirect Federal assistance;
- Executive Order 11988, May 24, 1978: Floodplain Management (42 F.R. 26951, et seq.). The intent of this Executive Order is to (1) avoid, to the extent possible, adverse impacts associated with the occupancy and modification of floodplains; and (2) avoid direct or indirect support of floodplain development wherever there is a practical alternative. If a grantee proposes to conduct, support or allow an action to be located in the floodplain, the grantee must consider alternatives to avoid adverse effects and incompatible involvement in the floodplains. If siting in a floodplain is the only practical alternative, the grantee must, prior to taking any action: (1) design or modify its actions in order to minimize a potential harm to the floodplain; and (2) prepare and circulate a notice containing an explanation of why the action is proposed to be located in a floodplain; and
- Executive Order 11990, May 24, 1977: Protection of Wetlands (42 F.R. 26961, et seq.). The intent of this Executive Order is to avoid adverse impacts associated with the destruction or modification of wetlands and direct or indirect support of new construction in wetlands, wherever there is a practical alternative. The grantee must avoid undertaking or providing assistance for new construction located in wetlands unless there is no practical alternative to such construction and the proposed action includes all practical measures to minimize harm to wetlands which may result from such use.

### Noise, Facility Siting

It will comply with HUD Environmental Standards (24 CFR, Part 51, Environmental Criteria and Standards and 44 F.R. 40860-40866, July 12, 1979) which prohibit HUD support for most new construction of noise-sensitive uses is prohibited in general for projects with unacceptable noise exposures is discouraged for projects with normally unacceptable noise exposure. Additionally, projects may not be located near facilities handling materials of an explosive or hazardous nature, or in airport clear zones.

### Solid Waste

It will comply with the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 (42 U.S.C., Section 6901, et seq.). The purpose of this Act is to promote the protection of health and the environment and to conserve valuable material and energy resources.

### Water Quality

It will comply with:

- the Safe Drinking Water Act of 1974 (42 U.S.C. Section 201, 300(f) et seq., and U.S.C. Section 349), as amended, particularly Section 1424(e) (42 U.S.C. Section 300H-303(e)0, which is intended to protect underground sources of water. No commitment for federal financial assistance can be entered into for any

project which the U.S. Environmental Protection Agency determines may contaminate an aquifer which is the sole or principal drinking water source for an area; and

- the Federal Water Pollution Control Act of 1972, as amended, including the Clear Water Act of 1977, Public Law 92-212 (33 U.S.C. Section 1251, et seq.), which provides for the restoration and maintenance of the chemical, physical and biological integrity of the nation's water.

### **Wildlife**

It will comply with:

- the Endangered Species Act of 1973, as amended (16 U.S.C. 1531 et seq.). The intent of this Act is to ensure that all federally assisted projects seek to preserve endangered or threatened species. Federally authorized and funded projects must not jeopardize the continued existence of endangered and threatened species or result in the destruction or modification of habitat of species or such species which is determined by the U.S. Department of the Interior, after consultation with the state, to be critical; and
- the Fish and Wildlife Coordination Act of 1958, as amended, U.S.C. 661 et seq.). The purpose of this Act is to preserve selected rivers or sections of rivers in their free-flowing condition, to protect the water quality of such rivers and to fulfill other vital national conservation goals. Federal assistance by loan, grant, license or other mechanism cannot be provided to water resources construction projects that would have a direct and adverse effect on any river included or designated for study or inclusion in the National Wild and Scenic River System.

### **HISTORIC PRESERVATION**

It will comply with:

- Section 106 of the National Historic Preservation Act of 1966 (16 U.S.C. 470, as amended) through completion of the procedures outlined in 36 CFR 800 and 36 CFR 63. Compliance with these procedures should include:
  1. consulting with the State Historic Preservation Office (SHPO) to identify properties listed in or eligible for inclusion in the National Register of Historic Places that exist with a proposed HOME project's area of potential environmental impact, and/or to determine the need for professional archaeological, historical, or architectural inventory of potentially affected properties to determine whether they would qualify for register listing; and
  2. consulting, as needed with the SHPO, Keeper of the National Register of Historic Places, and the Advisory Council on Historic Preservation to evaluate the significance of historic or prehistoric properties which could be affected by HOME work and to determine how to avoid or mitigate adverse effects to significant properties from project work.

### **LEAD-BASED PAINT**

It will comply with Title IV of the Lead-based Paint Poisoning Prevention Act (42 U.S.C. 4831), which prohibits the use of lead-based paint in residential structures constructed or rehabilitated with federal assistance of any kind.

### **FINANCIAL MANAGEMENT**

It will comply with the applicable requirements of:

- OMB Circular A-87, "Cost Principles for State and Local Governments," as specified by the Department of Commerce;
- HUD "Administrative requirements for Grant and Cooperative Agreements to State, Local, and Federally-Recognized Indian Tribal Governments, (24 CFR, Part 85), or any equivalent procedures and requirements that the Montana Department of Commerce may prescribe. The HUD Administrative Requirements are the basis for a number of specific requirements on the financial management and record keeping of HOME funds. The requirements apply to cash depositories, bonding and insurance, record keeping, program income, property management, procurement, closeout, audit, and other requirements; and
- the Single Audit Act of 1984, which establishes criteria for determining the scope and content of audits and with OMB Circular A-128, "Audits of State and Local Governments," issued pursuant to the Act.

It will promptly refund to the Montana Department of Commerce any HOME funds determined by an audit to have been spent in an unauthorized or improper manner or for ineligible activities.

It will give the Montana Department of Commerce, HUD, the Comptroller General, and the Montana Legislative Auditor, through any authorized representatives, access to and the right to examine all records, books, papers, or documents related to the grant.

## LABOR STANDARDS

It will comply with:

- Subpart H of the National Affordable Housing Act of 1990, with regard to labor standards [24 CFR, Part 92, Section 92.354]; and all State regulations regarding the administration and enforcement of labor and safety standards. These regulations require that all laborers and mechanics employed by contractors or subcontractors on construction work assisted under the Act shall be paid wages at rates not less than those prevailing on similar construction in the locality, as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276-1-276a-5). By reason of the foregoing requirement the Contract Work Hours and Safety Standards Act (40 U.S.C. 327 et seq.) also applies. These requirements apply to rehabilitation or new construction of affordable housing with 12 or more units assisted with HOME funds. However, the prevailing wage provisions do not apply to volunteers or to members of an eligible family who provide labor in exchange for acquisition of a property for homeownership or who provide labor in lieu of, or as a supplement to, rent payments.
- Davis-Bacon Act, as amended (40 U.S.C. et seq.), Section 2; June 13, 1934, as amended (48 Stat. 948.40 U.S.C. 276(c), popularly known as The Copeland Anti-Kickback Act. The Act mandates that all laborers and mechanics be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account except "permissible" salary deductions, the full amounts due at the time of payments, computed at wage rates not less than those contained in the wage determination issued by the U.S. Department of Labor. Weekly compliance statements and payrolls are required to be submitted to the federally-funded recipient by the contractor;
- Contract Work Hours and Safety Standards Act (40 U.S.C. 327 et seq.). According to the Act, no contract work may involve or require laborers or mechanics to work in excess of eight hours in a calendar day, or in excess of 40 hours in a work week, unless compensation of not less than one and one-half times the basic rate is paid for the overtime hours. If this Act is violated, the contractor or subcontractor is liable to any affected employee for unpaid damages as well as to the United States for liquidated damages; and
- Federal Fair Labor Standards Act, (29 U.S.C.S. 201 et seq.). The Act requires that covered employees be paid at least the minimum prescribed wage, and also that they be paid one and one-half times their basic wage rate for all hours worked in excess of the prescribed workweek.

**Debarment and Suspension**

It will require that all participants in lower-tier transactions (i.e., subcontractors) will comply with all requirements contained in 24 CFR, Part 24, which requires such parties to certify that they are not debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from the covered transaction.

**LEGAL AUTHORITY**

It possesses legal authority to apply for the grant and to execute the proposed project under Montana law and, if selected to receive a HOME Investment Partnership Program Grant, will make all efforts necessary to assure timely and effective implementation of the project activities described in the attached application.

## LOBBYING

It certifies that:

- (1) no Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.
- (2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee or any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.
- (3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

## POLITICAL ACTIVITY

It will comply with the Hatch Act (5 U.S.C. 1501, et seq.; 5 CFR Part 151) which restricts the political activity of individuals principally employed by a state or local agency in connection with a program financed in whole or in part by federal loans or grants. An affected employee may not be a candidate for public office in a partisan election.

## CONFLICT OF INTEREST

It will comply with the provisions of 24 CFR 570.611 and with sections 2-2-125, 2-2-201, 7-3-4367, 7-5-2106, and 7-5-4109, MCA (as applicable) regarding the avoidance of conflict of interest. If a person is an employee, agent, consultant, officer, elected official or appointed official or is a state recipient or subrecipient of HOME funds and has HOME-related responsibilities or access to inside information, that person may not obtain a financial benefit or interest from any HOME activity for themselves or those with whom they have family or business ties during their tenure or for one year thereafter.

**AUTHORIZATION TO SUBMIT APPLICATION**

Its governing body has duly adopted or passed as an official act a resolution, motion or similar action authorizing the submission of the application, including all understandings and assurances contained herein, and directing and authorizing the signatory to act in connection with the application and to provide such additional information as may be required.

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Signature, Chief Elected Official  
(or Executive Officer)

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Name (typed or printed)

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Title

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# **MONTANA DEPARTMENT OF COMMERCE**

## **MONTANA COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM**

### **1995 APPLICATION GUIDELINES FOR HOUSING AND PUBLIC FACILITIES PROJECTS**

**MONTANA DEPARTMENT OF COMMERCE**

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**1424 9th Avenue  
Capitol Station**

## **INTRODUCTION**

The 1995 Community Development Block Grant (CDBG) Program Application Guidelines describe the general requirements which apply to all local governments applying for CDBG funds. The guidelines also cover the special requirements and ranking criteria which will be used by the Department of Commerce (DOC) to evaluate applications for housing and public facilities projects.

The economic development component of Montana's CDBG program is administered by the DOC Economic Development Division. The housing and public facilities categories are administered by the DOC Local Government Assistance Division. The Department publishes two sets of application guidelines: one, for the economic development category only, and the second, for the housing and public facilities categories.

For a copy of the application guidelines for economic development projects, contact:

**DOC/Economic Development Division**  
**1424 Ninth Avenue**  
**Capitol Station**  
**Helena, MT 59620**  
**444-2787**

For additional copies of the application guidelines for housing and public facilities projects, contact:

**DOC/Local Government Assistance Division**  
**1424 9th Avenue**  
**Capitol Station**  
**Helena, MT 59620**  
**444-2488**

If you have not previously worked with Montana's CDBG Program, the volume of the guidelines may, at first, seem a bit overwhelming. It is true that, because of the federal requirements involved, there is considerable "red tape" involved in applying for and administering a Community Development Block Grant; however, even very small

communities have demonstrated that they can successfully complete and administer a CDBG project.

Please keep in mind that these guidelines include sections on two different types of CDBG projects: housing and public facilities. Once your community has decided on the type of project it intends to pursue, the other portions of the guidelines which do not apply can be discarded. The text of the guidelines also includes numerous suggestions to applicants on how to prepare a more competitive grant application.

In addition to these guidelines, the Department of Commerce has prepared a number of supplementary materials to help local officials prepare CDBG applications and comply with the various requirements. These include items such as sample income survey forms, budget forms, formats for public hearing announcements and local government resolutions, and checklists to help make sure that the application is complete. Copies of these materials will be distributed at regional application workshops or may be ordered from the Department's Local Government Assistance Division at the address and telephone number listed above. If you have any questions regarding Montana's CDBG Program, don't hesitate to contact us.

**Newell B. Anderson, Administrator  
DOC/Local Government Assistance Division**

**February 1995**

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## I. BACKGROUND

The Community Development Block Grant (CDBG) Program is a federally funded grant program designed to help communities with their greatest community development needs. All projects must be designed to principally benefit low and moderate income families. The program was established by the federal Housing and Community Development Act of 1974 (42 USC 5301) and is administered nationally by the U.S. Department of Housing and Urban Development (HUD).

Nationally, the CDBG program is divided into two major categories:

1. The Entitlement CDBG Program assists communities with 50,000 or larger populations. In Montana, only Billings and Great Falls are entitlement communities; they receive CDBG funds on a formula basis and are directly under HUD administration.
2. The State CDBG Program assists communities with populations under 50,000. Allocations are established for each state on the basis of a statutory formula.

In 1981, Congress amended the federal Housing and Community Development Act to make the nonentitlement portion of the CDBG program available as an optional State-administered program. The Legislature authorized the Department of Commerce to administer the program beginning in 1982.

Overall, the CDBG awards have been matched by an equal expenditure of public and private funds for local projects, making possible millions of dollars of public and private investment reflected in construction activity and creating jobs for Montanans across the state.

Montana's total CDBG allocation for 1995 is \$8,714,000. Beginning with the 1994 program, DOC has conducted separate grant competitions for public facilities and housing projects separately. Public facility applications are due June 5, 1995. Housing applications are due October 2, 1995. Grant applications for economic development projects are accepted continuously, as long as funds are available. Applications are evaluated according to the established criteria for each project category. Because of the strong demand for the funds, the Department is normally able to fund only about one-half of the applications submitted.

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A summary of each of the housing and public facility projects awarded funds under the 1994 CDBG Program is included in Appendix C.1. Information regarding the projects awarded CDBG funds from 1982 to 1994 is available from the Department upon request.

## II. FISCAL YEAR 1995 PROGRAM DESCRIPTION

### A. PROGRAM GOAL AND OBJECTIVES

#### 1. Goal

Consistent with Congressional intent as expressed in the federal Housing and Community Development Act, the goal of the Montana Community Development Block Grant (CDBG) Program is to develop viable communities by providing decent housing, healthful and safe living environments, and economic opportunities, principally for persons of low and moderate income.

#### 2. National Objectives

Under the federal Housing and Community Development Act, CDBG recipients are required to "give maximum feasible priority" to activities that will:

- a. benefit low and moderate income persons;
- b. aid in the prevention or elimination of slums or blight; or
- c. meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available to meet such needs.

In addition, the Act requires that 70 percent of a State's CDBG funds, taken as a whole, must be used for activities that principally benefit low and moderate income persons. The Montana CDBG Program has responded to this mandate by requiring that each applicant document that at least 51 percent of the non-administrative funds provided for a local CDBG project will be used for activities that are clearly designed to meet the identified needs of low and moderate income persons. Overall, Montana's CDBG Program averages over 95% benefit to low and moderate income persons, according to HUD standards.

## B. PROJECT CATEGORIES

There are three funding categories under Montana's CDBG Program:

1. economic development;
2. housing; and
3. public facilities.

### **Economic Development Projects**

In economic development projects, the State grants a CDBG to a local government, which, in most cases, loans the funds to a private business. In return, the business commits to create a specific number of jobs, a majority of which will be made available to low and moderate income persons.

### **Housing Projects**

The CDBG housing category is intended to rehabilitate substandard housing or to construct permanent, long-term housing. In housing rehabilitation projects, CDBG funds are used to make low or no interest loans to low and moderate income families to allow them to rehabilitate homes in substandard condition. Rehabilitation focuses on bringing the home up to basic code standards by improving electrical systems, plumbing, roofing, and providing for energy conservation measures such as installation of adequate insulation or energy-efficient furnaces, doors, and windows. In addition, communities frequently use CDBG funds to demolish vacant, unsafe buildings or to make needed improvements in public facilities in conjunction with their housing efforts in order to revitalize blighted areas of their towns.

CDBG funds can also be used to finance or subsidize the construction of new permanent residential units where the CDBG funds will be used by a local nonprofit organization. Housing projects can also include site improvements or provision of public facilities to publicly-owned land or land owned by a nonprofit organization to be used or sold for new housing. The clearance or acquisition of sites for use or resale for new housing and conversion of existing nonresidential structures for residential use are also eligible CDBG housing activities.

### Public Facility Projects

In public facility projects, CDBG funds are most often used in combination with other federal, state, or local funds to make public improvements, such as water and sewer facilities, affordable to low and moderate income families. **These projects must principally benefit low and moderate income persons.** Public facility projects can also include facilities designed for use predominately by persons of low and moderate income such as nursing homes, senior centers, mental health centers, shelters for battered spouses or abused children, or group homes for developmentally disabled persons. Projects designed to provide temporary, short-term housing (for example, transitional housing, homeless shelters, and emergency shelters) would also fall under the public facilities category.

### Complementary Activities

A project may consist of one or more activities designed to substantially resolve a community development need. The principal activities must clearly be designed to address needs appropriate to the category applied for and must represent at least two-thirds of the non-administrative project funds requested; other proposed activities should be clearly complementary to and in support of the principal activities in order to enhance the overall impact of the project in resolving the identified problem. For example, public facilities activities, such as water, sewer, or street improvements, can be included in a housing project which primarily addresses housing rehabilitation and demolition needs because the activities support an overall neighborhood revitalization strategy and are related to the project objectives.

Examples of the types of activities which may be funded under each project category, as well as the special requirements and ranking criteria which are used to evaluate applications for each category, can be found in the separate chapters of these guidelines.

The requirements for Economic Development Projects are discussed in a separate set of application guidelines available from the DOC Economic Development Division, at the address and telephone number listed in the Introduction.

### C. GRANT CEILINGS

The total amount of CDBG funds requested by an applicant (or joint applicants) must not exceed the following ceilings:

<u>Type of Grant</u>	<u>Ceiling</u>
Housing	\$400,000
Public Facilities	\$400,000

Applicants should apply only for the level of funding necessary to carry out the project. Grant requests must be sufficient either by themselves or in combination with other proposed funding sources to complete the proposed activities within 24 months from the date of the announcement of grant award by the Department. While grant ceilings establish the maximum amounts which may be requested, individual grants will be awarded only in amounts appropriate to the scope of the identified problem, the proposed project activities, and the needs, resources and administrative capacity of the applicant. There are no minimum amounts required for CDBG requests.

### D. APPLICATION DEADLINES

<u>Deadline</u>	<u>Type of Grant</u>
Public Facilities	June 5, 1995
Housing	October 2, 1995

Applications must be delivered or postmarked on or before the deadline date.

### E. DISTRIBUTION OF FUNDS

#### 1. Funds Available for the Montana CDBG Program

HUD has notified the Department of Commerce that Montana's FY 1995 CDBG allocation is \$8,714,000.

The distribution of funds for Montana's CDBG Program for federal fiscal year 1995 will be as follows:

Total Fiscal Year 1995 State CDBG Allocation	\$ 8,714,000
Less CDBG funds for State program administration and technical assistance to applicants and to grantees*	<u>361,420</u>
Amount Available for Award to Local Governments	\$ 8,352,580
Less 1/3 Allocation for Economic Development Projects	<u>2,784,193</u>
Total Available for Housing and Public Facility Projects	5,568,387
-less 1/3 Allocation for Housing Projects	1,856,129
-Subtotal Available for Public Facilities Projects	3,712,258

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\* Extensive federal regulations accompany the program. DOC will use a small portion of the State CDBG allocation for administration of the program, as established by a statutory formula. The funds will be used to supplement State resources to meet federal regulatory requirements and to support related technical assistance to applicants and grantees and project monitoring activities throughout the terms of the local projects.

Of these funds, one percent of the annual allocation, or \$87,140, is specifically designated by statute to provide technical assistance to local governments and non-profit program applicants and recipients. In response to comments received as part of a CDBG program evaluation survey distributed to local governments during the fall of 1994, the Department intends to seek further comments during the late winter of 1995 on the specific design and operation of a technical assistance program for CDBG applicants.

Technical assistance would be made available to local governments in the form of competitive grants on a local match basis. These grants could be used by counties and municipalities to prepare plans or studies related to CDBG eligible housing and public facilities projects and submittal of a CDBG application.

2. Allocation of Funds

a. 1995 Economic Development Setaside

One-third of the total amount available for new grants (\$2,784,193) will be set aside to allow economic development funds to be available to applicants on a continuous basis.

For the public facilities and housing categories, in general, long-term needs can be identified and planned for in advance. In contrast, it is generally not possible to identify or plan for economic development opportunities ahead of time; however, when such a situation develops it requires a timely response by the community and the State to facilitate and support the development proposal. The continuous application cycle for economic development applications is designed to meet the need for more prompt response to economic development initiatives.

b. 1995 Grant Competitions For Public Facilities and Housing Projects

For the 1995 CDBG program, separate grant competitions will be conducted for the public facilities and housing categories. In 1994, DOC made two major changes in the Montana CDBG Program:

1. the application cycles used for CDBG housing and public facilities project; and
2. the allocation of CDBG funding.

Application Cycles

From 1982 to 1993, CDBG funds for both housing and public facility projects were awarded through a single fall competition. Beginning with the 1994 CDBG program, the Department has conducted separate competitions for public facility projects and housing projects. As a result, the spring due date for CDBG public facility applications will coincide with the biennial application due dates for the DNRC Renewable Resource Program and the DOC Treasure State Endowment Program (TSEP). The Department will also coordinate the annual review of applications for the CDBG housing category

with applications for the DOC HOME program by having housing applications for the CDBG program due October 2, 1995 and applications for the HOME program due September 15, 1995.

During the fall, 1994 CDBG program evaluation survey, local governments demonstrated strong support for maintaining the annual competition process for grant applications for the housing and public facilities categories. The Department will continue the annual competitive process for the 1995 program. As before, the competitive grant award process will assure that the limited available CDBG funds would go to the best planned projects addressing the greatest community needs while maximizing benefit to low and moderate income persons.

### Allocation of Funds

Since the grant competitions for the housing and public facility categories have been separated, it is necessary to set aside a specific amount of CDBG funds to be available for each category. For the 1995 program, the Department will allocate available CDBG funds as follows:

~ one-third of the total CDBG annual allocation would be set aside for the economic development (ED) category, as opposed to the previous twenty-five percent set aside from 1989 to 1993. This increase for economic development projects is being made in the recognition that the TSEP and HOME programs have provided increased funding for public facilities and housing projects, while the resources for economic development have remained static in the face of increasing demand.

~ the remaining two-thirds of available funds will be allocated between housing and public facilities projects based on the long-term historical demand. As a result, the Department will allocate one-third of the remaining balance for housing projects and two-thirds for public facility projects.

Moving the CDBG public facilities application cycle up to the same time period as TSEP and DNRC will achieve several desirable results:

- the Department can effectively create a one-stop process where all the principal state public facility funding programs can be accessed in one common time period and, to the extent possible, with common application forms and procedures. (DNRC staff have agreed to work with DOC CDBG and TSEP staff to develop common application and environmental review forms.)

- the Department can better accommodate the needs of communities to get an earlier start on their public facility projects to allow additional time for engineering design and for the technical reviews required by DHES of final engineering designs. Local governments will also have more time to focus their application efforts on the separate CDBG categories of housing and public facilities.
- in contrast to the present system of separate, independent reviews of public facility applications, DNRC and DOC can arrange concurrent technical and financial evaluations for all three programs (DNRC Water Development and DOC CDBG and TSEP) to achieve a cost savings and better consistency.

Applications will be ranked against other applications submitted for each grant competition for the total amount of funds allocated for that competition.

During the competitions, the final distribution of funds may be subject to shift between the public facility category and housing categories of up to 10 percent of the amount available for award to local governments at the discretion of the Director of the Department of Commerce, under the following circumstances:

- if the funds remaining in a category are insufficient to achieve adequate impact for all of the next highest ranked project or would result in unjustifiably high administrative costs relative to project impact; or
- where judgments on the overall quality of proposed projects and their consistency with the goal and objectives of the State CDBG Program would justify redistribution of funds.

### 3. Reallocation of Funds

- a. If any grantee which has tentatively been awarded funds is unable to fulfill the conditions required to secure a final commitment of funds, the tentative grant commitment will be withdrawn. In the event that excess funds above the last ranked grant request are available, they may be reallocated at the discretion of the DOC Director, consistent with these guidelines, so as to best achieve the goal and objectives of the Montana CDBG Program.

- b. Unallocated funds from the current fiscal year or unexpended or uncommitted funds from previous grant awards, including program income which has been returned to the State, may be reallocated at the discretion of the DOC Director, consistent with the current adopted Application Guidelines, in order to best achieve the goal and objectives of the Montana CDBG Program.
- c. The Federal Housing and Community Development Act requires the State to distribute CDBG funds to local governments "in a timely manner." HUD encourages the State to have at least 95% of its total annual grant allocation awarded and under contract within fifteen months of the date the allocation was awarded to the State. All remaining funds must be awarded and under contract within fifteen months of the State CDBG award.

If after ten months from the date of the award of the State's annual CDBG allocation, the DOC does not have at least 95% of its fiscal year allocation awarded and under contract, the Department Director may, at his discretion, award funds from the Economic Development Setaside to the highest ranked eligible, but unfunded, applications from the CDBG grant competitions for public facilities projects or housing, in order to achieve these goals.

#### 4. Estimate of Funds to Benefit Low and Moderate Income Persons

The federal Housing and Community Development Act requires that the State estimate the amount of CDBG funds proposed to be used for activities that will benefit low and moderate income persons, excluding administrative costs.

In keeping with Congressional intent for the program, all CDBG applications must document, as a threshold requirement, that at least 51 percent of the non-administrative funds requested for a CDBG project are clearly designed to meet the needs of low and moderate income families. As a result, according to HUD guidelines for calculating benefit, approximately 95% of the funds granted to Montana communities from 1982-1994 are considered to be principally benefiting low and moderate income families. Therefore, based on past experience, the DOC estimates that not less than 95% of the non-administrative CDBG funds awarded through the FY 1995 Montana CDBG program for local projects will be used to benefit low and moderate income persons.

DOC's estimate of funds to be used to benefit low and moderate income persons is based upon the following calculations:

Total estimated CDBG funds available for award to local governments	\$ 8,714,000
Less 18% maximum potential permitted for local project administration	<u>1,568,520</u>
Subtotal	\$ 7,145,480
Multiplied by projected 95 percent benefit for low and moderate income persons (95% X \$6,849,116) =	\$ 6,788,206

Thus, DOC estimates that not less than \$6,788,206 of Montana's fiscal year 1995 CDBG allocation will be used to benefit low and moderate income persons. Based on past experience, the actual amount will likely be higher since local projects, in the aggregate, average far less than 18% overall for project administration.

### III. GENERAL REQUIREMENTS FOR HOUSING AND PUBLIC FACILITIES APPLICATIONS

In order to be eligible for an award of CDBG funds, applicants must comply with the following requirements. Local officials having any concerns or questions regarding these requirements should contact the DOC Local Government Assistance Division, for guidance as early as possible in the process of preparing an application.

#### A. ELIGIBLE APPLICANTS

Under federal law, eligible applicants are limited to general purpose local governments: counties, incorporated cities and towns, and consolidated city-county governments. Among municipalities, only Billings and Great Falls are ineligible to apply to the State CDBG Program because they receive CDBG funds from a separate HUD allocation for communities with populations over 50,000. Montana's Indian tribes also receive CDBG funds from a separate HUD CDBG program and are not eligible to apply to the State program.

Special purpose agencies such as local economic development corporations, housing authorities, or water or sewer districts, are not eligible to apply directly; however, they may be involved in implementing and administering a program by interlocal agreement, if a local government agrees to such an arrangement. **Water or sewer users associations, because they are private nongovernmental entities, and rural special improvement districts, must first be established as county water or sewer districts (pursuant to Title 7, Chapter 13, Parts 22 and 23, MCA) before making an application for CDBG funds through a county government.**

Likewise, private, non-profit organizations such as Human Resource Development Councils, Councils on Aging, or hospital associations are not eligible to apply directly, but may still be involved in administering a CDBG project by interlocal agreement with a general purpose local government which has applied for CDBG funds on their behalf.

##### 1. County Applications

For projects proposed to resolve problems in the unincorporated jurisdiction of a county, the county governing body is the eligible applicant. A county may apply for a project which will include activities within the jurisdiction of an incorporated city or town if the proposed activity is intended to benefit all county residents, including

those located in the unincorporated jurisdiction of the county, as well as those within the city or town.

In order to improve cost-effectiveness for project administration, a county may apply for a grant for a project which would address the same category of community need in two or more separate unincorporated communities as long as the grant request is under the established ceiling. For example, a county can apply for a project which would provide public facilities for two unincorporated communities or a project which would conduct housing activities in two unincorporated communities. If considering such a project, the applicant county would want to be sure that the involved communities have an equally high level of need and that the proposed response is equally appropriate and would achieve comparable impact on the needs of each of the communities; if not, the entire application could be less competitive.

## 2. Municipal Applications

For projects proposed to resolve problems within the jurisdiction of an incorporated city or town, the city or town governing body is the eligible applicant. A municipality may apply for a project which would include an activity to be located outside city limits if the proposed activity will principally benefit residents within the city's jurisdiction, such as a solid waste disposal site or a water or sewage treatment facility. A municipality may also apply for a project which is located outside the city's jurisdiction if it can provide adequate assurances that the project area will be annexed within the term of the CDBG project.

## 3. Joint Applications

In situations where two or more eligible local governments face a common community development problem, a joint application may be submitted under the following conditions:

- a. the problem to be addressed lies in an area of contiguous jurisdictions;
- b. the solution to the common problem clearly requires cooperative action and is the most efficient strategy; and
- c. the local governments involved have contacted the Department of Commerce and received prior approval of such an arrangement before submission of an application. Requests for approval must be submitted at least 30 days prior to the due date for applications.

The eligible local governments involved must each meet the threshold requirements for all applicants. One local government must be designated as the lead applicant and accept full responsibility for application submission and, should the application be awarded funds, for administrative and financial management during the term of the CDBG project. The local government designated as the lead applicant will be ineligible to apply for another grant during the same grant competition. The maximum grant ceiling of \$400,000 per project applies to all joint applications as well.

All joint applications must contain a draft interlocal agreement, in accordance with the Montana Interlocal Cooperation Act (Sections 7-11-101 through 108, MCA), which identifies the responsibilities and obligations of the cooperating local governments, including long-term operation and maintenance, if applicable.

#### **B. NUMBER OF APPLICATIONS PERMITTED PER APPLICANT**

**Unless otherwise prohibited by the provisions of section D below, each eligible local government jurisdiction may submit one application to the spring grant competition for public facility projects and one application to the fall grant competition for housing projects.**

For the purposes of this requirement, consolidated city-county governments will be considered as two separate jurisdictions; one, the city jurisdiction and two, the unincorporated jurisdiction of the county. For application purposes, the jurisdiction of each will be defined by the city and county boundaries as delineated on the date of consolidation. Applications for city and county jurisdictions must conform to the requirements for municipal and county applications set out in section A., Eligible Applicants.

#### **C. NUMBER OF GRANT AWARDS PERMITTED PER JURISDICTION**

**During any program year, a local government jurisdiction may be awarded a maximum of two grants, one from the public facilities category and one from the housing category.**

#### **D. RE-APPLICATION**

Because of increasing pressure from HUD and Congress to expedite the expenditure of CDBG funds and the completion of CDBG projects, DOC has established eligibility for reapplication based upon the percentage of completion based on the fiscal year of

grant award. This system provides an incentive for CDBG recipients to complete their projects in a timely manner.

1. A previous recipient of a CDBG award under either the housing or public facility category is not eligible to reapply for the same category until the following conditions have been met:

Fiscal Year 1994 grantees - CDBG non-administrative funds 75% drawn down or activities completed by the date of application.

Fiscal Year 1993 grantees - CDBG non-administrative funds 90% drawn down or activities completed by the date of application.

Fiscal Year 1992 grantees - CDBG non-administrative funds 100% expended, project completion report submitted and audit scheduled by the date of application.

Fiscal Year 1991 grantees and all earlier years - Project closed out (conditional or final) by the date of application.

2. The local government is in compliance with the project implementation schedule contained in its CDBG contract with the Department of Commerce under either the public facility or housing category; and
3. There are no specific unresolved audit or monitoring findings directly related to any previous CDBG grant awarded to the local government.

## **E. COMMUNITY DEVELOPMENT PLAN**

As amended by Congress in 1992, the federal Housing and Community Development Act requires that each CDBG recipient must "identify its community development and housing needs, including the needs of low and moderate income persons, and the activities to be undertaken to meet such needs."

Each applicant must include a description of its needs, which, at minimum, summarizes:

1. The process used to identify community development needs and establish priorities;

2. The applicant's community development needs, including the needs of low and moderate income persons, and its priorities for responding to the needs;
3. The planned activities to be undertaken to meet the identified needs; and
4. The rationale for selecting the proposed CDBG project, including discussion of alternatives considered.

A summary of the applicant's community development needs assessment should be incorporated as part of the applicant's response to the "Project Planning and Selection" ranking criterion established for housing and public facilities categories.

There is no one recommended procedure for preparing a community development needs assessment. This requirement was intended by Congress to be an abbreviated planning process in order to promote better coordinated strategies for addressing local needs, particularly as they affect low and moderate income persons. It is not intended to duplicate the ongoing comprehensive planning programs already established by many Montana communities. To the contrary, as an initial step in the needs assessment process, the Department of Commerce encourages applicants to review their existing comprehensive plan and community development priorities. DOC discourages stand-alone, CDBG-specific needs assessment processes or community surveys which are not coordinated with a community's existing comprehensive planning program. The needs assessment requirement can also provide an opportunity to review existing capital improvements, economic development, or housing plans, to determine if they still adequately reflect current conditions, needs, and community priorities. For further guidance, applicants should review the Department of Commerce handbook, The Community Development Needs Assessment Process.

## F. CITIZEN PARTICIPATION

The federal Housing and Community Development Act places strong emphasis on involving the public in the preparation of CDBG applications and in the implementation of CDBG projects. It requires the Department of Commerce to adopt "a detailed Citizen Participation Plan." In order to receive CDBG funds, both the Department and applicants for grants must certify that they are carrying out citizen participation in a manner that complies with this plan. Montana's CDBG Citizen Participation Plan and the certification required of applicants for CDBG funds is available from the Department.

Applicants must provide citizens, especially low and moderate income residents, an adequate notice and opportunity for meaningful involvement in the planning and development of CDBG applications.

**At a minimum, the applicant must hold two public hearings, one before preparing the application and one prior to passage of a resolution by the governing body authorizing the submission of the application. A record of the required hearings must be submitted with the application for CDBG funds, along with copies of the public notices for the hearings or affidavits of publication for the notices. A verbatim record is not necessary; the names of persons who attended and a summary of comments by local officials and citizens is sufficient. The first public hearing must be held not more than twelve months prior to the date of application. The second public hearing must be held not more than two months prior to the date of application.**

The purpose of the first public hearing is to inform citizens about the CDBG program, the amount of funds available, how it may be used, the range of activities eligible for funding and other general program requirements, as well as to solicit public comment, particularly from low and moderate income people, on community needs and priorities for economic development, housing and public facilities, including the needs of low and moderate income persons. The purpose of the first public hearing is to give citizens an opportunity to propose projects before the local government makes a decision regarding what project it will apply for.

The purpose of the second public hearing is to give citizens and potential beneficiaries of the proposed project adequate opportunity to review and comment on the community's proposed CDBG project, before it is submitted.

Formal public notice must be provided before public hearings are held. Notice of each public hearing should be published at least once in a newspaper of general circulation in the community at least seven days prior to the hearing. Where possible, notice should also be directed to persons of low and moderate income or those persons who will benefit from or be affected by CDBG activities and/or groups representing low and moderate income persons.

Hearings must be held at times and locations convenient to the general public and with reasonable accommodations for handicapped persons. In the case of public hearings where a significant number of non-English speaking residents can be

reasonably expected to participate, federal law requires that arrangements be made to have an interpreter present.

#### **G. ELIGIBLE ACTIVITIES**

Projects may consist of one or more related activities within a general category. The activities which are eligible for funding under Montana's CDBG Program are limited to those set out by Congress in Title I of the Housing and Community Development Act of 1974, Section 105(a), as amended through October 28, 1992. These eligible activities pertaining to the housing and public facilities categories are available from the Department.

#### **Suggestions for Applicants**

In most cases the question of the eligibility of an activity is clear-cut and can be resolved by contacting the DOC CDBG staff. Some activities may involve special conditions imposed by federal law or regulations.

In selecting activities for a CDBG application, communities should be aware that the fact that although an activity may be legally eligible under the federal statute and HUD regulations, it may not be competitive under the guidelines and ranking system incorporated in the Montana CDBG Program. Any project under consideration for a CDBG application should be compared against the ranking criteria for that category before a decision is made to prepare an application. If you have questions regarding the eligibility of, or special requirements which may apply to, a particular project or activity under consideration in your community, contact the DOC CDBG staff for guidance.

#### **H. BENEFIT TO LOW AND MODERATE INCOME PERSONS**

**Each applicant must document in its application that a minimum of 51 percent of the non-administrative funds requested for a CDBG project will be used for activities that are clearly designed to meet identified needs of persons of low and moderate income in the area. Applicants must also demonstrate that any activities proposed will not benefit moderate income persons in a manner which would exclude or discriminate against low income persons.**

Compliance with the benefit to low and moderate income requirement is calculated on an activity-by-activity basis. The following general guidelines can be used to

determine, which projects or activities will be considered as principally benefiting low and moderate income households:

- the project has income eligibility requirements that limit the benefits of the activity to low and moderate income persons, such as housing assistance which is provided only to low or moderate income families or the payment of assessments levied against properties owned by low or moderate income families as part of a public facilities project; or
- the project serves an area where at least 51 percent of the residents are low and moderate income persons and provides services for such persons, such as a water project for a lower income neighborhood; or
- the project involves facilities designed for use predominately by low and moderate income persons (e.g., a senior center or Head Start Center).

**Applicants proposing to use CDBG funds for areawide activities (such as a community-wide public facility project) must provide data to demonstrate that at least 51 percent of the persons who would benefit from CDBG assistance have low or moderate incomes.**

Applicants intending to conduct local surveys of household income must utilize the appropriate HUD income levels established for their county. Applicants must follow the current edition of the DOC Guidelines for Documenting Benefit to Low and Moderate Income Persons which provides further explanation of the federal requirements governing benefit to low and moderate income. The survey methodology must be described and a copy of the survey form with a composite summary of all responses must be submitted with the CDBG application. (Copies are available from DOC.) An applicant's failure to assure a statistically valid and sufficiently random sample for a local income survey will be considered sufficient grounds to discount claims made for percentage of benefit to low and moderate income persons during the application review process.

## **I. BUDGET**

**Each applicant must submit a project budget, using a DOC CDBG (or equivalent) budget form. CDBG grant requests must be sufficient either by themselves or in combination with other proposed funding sources to complete the proposed activities within a 24 month period. (Budget forms and guidance on budgeting are available from DOC.)**

The total budget of any proposed CDBG project should be divided between "activity costs" (such as "housing or public facilities construction" or "housing rehabilitation") and "administrative costs." The administrative budget covers the costs of implementing a local project, including costs involved in preparing the required environmental review; the cost of the local project audit; and other contractual costs for professional services that may be associated with administration of the program.

**The budget must be accompanied by a narrative justification for the specific proposed CDBG project activities and related administrative costs, including a breakdown of total project costs which identifies sources and amount of all non-CDBG funds to be used. The cost estimates for each item in the proposed budget must be explained in the narrative. If other sources of funds are needed to complete the project, the status of these funds, when they will be available, and how they will be coordinated with CDBG funds should also be described.**

Administrative costs must be appropriate to assure cost-effective management of the project being undertaken. Any proposed administrative costs must be eligible, fully supported and explained. Applicants which propose to contract for project management assistance with a consultant or other entity must specifically itemize this amount in the administrative budget and explain it. A maximum of 18% of a grant may be used for local grant administration. (Please see discussion below regarding proposed changes in allowable maximum percentage for administrative costs.)

Some administrative expenses are essentially fixed and are not proportionate to the total cost of a CDBG project. Communities considering relatively small requests (under \$75,000) may find that the 18% allowed may not provide a sufficient budget to cover all administrative costs. A community considering a relatively small grant request should consider whether the proposed project would result in questionably high administrative costs relative to the actual project cost. In these circumstances, applicants are encouraged to contact the Department's CDBG staff to discuss their proposed project prior to submittal of the application.

**Under no circumstances are costs incurred prior to award of the grant (such as fees for preparing an application, community surveys, needs assessments, or preliminary engineering studies) eligible for reimbursement in the event of grant award.**

**For public facility projects, line items for construction contingencies should not exceed ten percent of the estimated construction cost.**

#### **Possible Change for 1995 CDBG Program**

*As these guidelines go to press, the Department is considering amending the 1995 Application Guidelines to set a ceiling for CDBG administrative costs at 10% of the total grant amount for both public facilities and housing projects. A growing concern of the Department over time has been the increasingly high cost of administering housing rehabilitation projects, in particular, relative to other types of CDBG projects. The cost of administration for most public facility projects averages 7 to 10% of total grant funds. In contrast, the administrative cost for most housing rehabilitation projects is normally the maximum 18% allowed. In addition, when the costs of housing inspections are considered, the true cost of administrative overhead approaches one-quarter of the total grant funds.*

*The requests for CDBG funds by Montana communities have always far exceeded the funds available. Given the tremendous need for CDBG funds to address a variety of local public facility and housing needs, the Department questions the appropriateness of allowing housing rehabilitation projects to use two to three times the percentage of CDBG funds for administrative overhead that is typically used by public facility projects. An additional issue prompting the Department to reconsider this policy is the fact that the HUD-funded HOME program, also administered by DOC, allows HOME housing grant recipients to use only 8% of the total grant award for administrative purposes.*

*Information regarding the Department's final decision on this proposal will be distributed to local governments and other organizations and interested citizens in the near future. The Department will solicit public comment on this issue before amending the Application Guidelines.*

#### Suggestions for Applicants

Applicants should be especially careful to see that all potential costs for carrying out the project are identified prior to submitting the application.

Consideration should be given to costs such as:

- day-to-day project management activities specific to the type of project proposed.
- assuring compliance with State and federal requirements;

- preparation of reports;
- bookkeeping;
- legal services;
- travel for project-related training;
- conducting the environmental review and publishing required legal notices;
- appraisals;
- acquisition of land or easements;
- engineering design;
- Davis-Bacon (prevailing wage) requirements which may increase construction costs;
- construction inspections; and
- audit.

The Department recommends that applicants budget from \$2,000 to \$3,000 for final project audit. Applicants should also budget up to \$1,500 for technical assistance from the DOC Local Government Services Bureau in establishing their financial management system for project funds, unless they have recently been a recent grant recipient under the State CDBG Program and have already received this assistance.

#### **J. PUBLIC OR PRIVATE SECTOR COMMITMENTS**

If public or private sector resources are to be involved in a proposed CDBG project, the applicant must provide evidence of the firm commitment of these resources. Such commitments should be binding, contingent only upon the award of CDBG funds for the project.

Grant recipients which will require private, or local, State or federal public resources, in addition to CDBG funds, to implement a proposed CDBG project must have completed, within six months of the date of the announcement of the tentative grant award by the DOC, all necessary arrangements to assure that those resources are available for commitment to and participation in the project in order to guarantee timely project completion. Unless the tentative grantee can demonstrate the existence of unusual or extenuating circumstances that would justify an extension of time, the tentative award will be withdrawn and the funds reallocated.

No CDBG funds will be released to grant recipients until firm commitments are available for all non-CDBG resources to be involved in a project. No CDBG funds, other than for administrative purposes, may be obligated or incurred until this condition is released by the Department.

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In documenting a public sector commitment, the public agency must specify the amount and use of the funds or resources. Funds or resources committed by a local government must take the form of a resolution by the governing body which specifies the approximate amount of the commitment. Funds or resources from a State or federal agency must be documented by a letter of commitment from the agency involved. The commitment of funds or resources may be made contingent upon the award of CDBG funds for the project.

In documenting a private sector commitment, the private party must specify the amount of the commitment and use of the funds. The commitment must be documented by a letter of commitment from the private participant. The commitment of resources may be made contingent upon the award of CDBG funds for the project. If any portion of the activity is to be self-financed, the private participating party must provide evidence of its financial capability through a corporate or personal financial statement or through other appropriate means.

## K. PROGRAM INCOME FROM HOUSING AND PUBLIC FACILITY PROJECTS

"Program income" is any income earned by either a recipient or subrecipient from CDBG supported activities such as repayments of principal and interest from loans for housing rehabilitation and, if authorized by DOC may be retained at the local level to be used for community development activities eligible under the CDBG program. An applicant requesting to retain program income from housing projects must submit, with its application, a plan for the ongoing use and financial administration of any program income.

DOC has the option of establishing a grant condition which requires a grantee to return any program income to the State. The Department would then use the program income returned to the State to fund additional local CDBG projects. HUD regulations provide that the Department must waive this condition "to the extent such income is applied to continue the activity from which such income was derived." The Department's decision to permit a grantee to retain program income from housing projects will be determined based upon the adequacy of the proposed plan for the use and administration of program income submitted as part of the grant application.

Federal regulations provide that if program income is earned prior to closeout of a project, it must be added to funds committed to the project and used to support CDBG eligible activities or spent on costs budgeted for CDBG funds before the grantee can request an additional drawdown of funds from its CDBG project account. The receipt and expenditure of program income must be recorded as part of the financial

transactions of the CDBG program. Program income funds received before grant closeout must further be treated as additional CDBG funds subject to all applicable requirements governing the use of CDBG funds.

Communities utilizing program income must maintain current information regarding their use of the funds including the following:

- sources of program income, including interest earned;
- dates and amounts of program income deposits and disbursements; and
- a description of the activities funded with program income.

**A summary of this information must be submitted with a grant application by any community which has been receiving program income from a previous CDBG project.**

To address new federal requirements, the Department is in the process of establishing new guidelines for local government grantees that retain and use program income. The guidelines will focus on state oversight and local government management and accountability for program income and revolving loans. These new guidelines are expected to be available by Spring, 1995.

## **L. DOCUMENTATION**

Each applicant should identify the source of supporting data for any statements made in the application. **If local research was conducted to support the application, such as a survey of housing conditions or income levels, the survey methodology must be described and a copy of the survey form with a composite summary of all responses submitted with the application.**

**In order to provide common standards for comparison between communities, applicants must utilize the current DOC model formats available for income and housing condition surveys.** The applicant may use a survey conducted previously if it conforms to current DOC guidelines and still accurately reflects local conditions. Applicants for the public facilities category must complete the CDBG Public Facilities Financial Information Form.

All original documentation must be retained by the applicant and made available for review in the event that the application is tentatively selected for funding. The lack

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of adequate documentation to substantiate information contained in the application will be considered sufficient grounds for the Department to re-rank an application, and, if necessary, to withdraw a tentative grant award.

## M. MAPS

**Each application must include clearly legible maps which illustrate the applicant's political jurisdiction and the proposed project area.** Applicants are encouraged to submit maps at the minimum size and scale that will clearly convey all required information. Applicants should submit maps of a different scale where this will increase clarity. More than one type of information may be combined on one map if the information is clearly legible when combined.

### a. Political Jurisdiction Map

The map of the applicant's political jurisdiction must identify:

- the boundaries of the entire jurisdiction;
- the project's location within the jurisdiction; and
- if applicable, the service area of the project.

### b. Project Area Map

The map of the proposed project area must identify:

- the boundaries of the project area;
- the locations of all proposed activities such as land to be acquired, buildings to be demolished, streets or water lines to be reconstructed, and blocks where housing will be rehabilitated; and
- the boundaries of any 100 year floodplain designated by the Federal Emergency Management Agency.

**All project activities must take place within the project area boundaries, unless specifically authorized by DOC.**

Maps identifying the enumeration districts within each county may be ordered from the Census and Economic Information Center, Montana Department of Commerce, Capitol Station, Helena, Montana 59620, (Telephone 444-2896). Microfiche copies of the county enumeration district maps are available free; paper copies of the maps may be purchased.

Maps of Montana's counties, cities and towns can also be ordered from the Data Collection and Analysis Section, Montana Department of Transportation, 2701 Prospect Avenue, Helena, Montana 59620 (Telephone 444-6119 or 444-7238).

Maps of designated flood plains may be ordered from the Montana Department of Natural Resources and Conservation, Water Operations Bureau, 1520 East Sixth Avenue, Helena, Montana 59620 (Telephone 444-6654).

## **N. CERTIFICATIONS FOR APPLICATION**

**Each applicant must agree to comply with all applicable federal and state requirements in implementing their proposed CDBG project, if selected for funding. The major federal requirements are set out in the CDBG Certifications for Application. A copy of the Certifications for Application signed by the chief elected official or executive officer of the applicant and dated within six months of the date of application, must accompany the application for CDBG funds. Copies of the forms are available from DOC CDBG staff.**

Applicants should carefully review these requirements and consider their potential impact when designing their CDBG project. These laws cover a wide range of issues including environmental impacts, labor standards, employment practices, financial management, and civil rights, many of which can have an affect on the costs or complexity of project administration. Communities with questions regarding any of these requirements and their potential impact on the project being considered should contact the DOC CDBG staff for guidance.

## **O. RESOLUTION TO AUTHORIZE APPLICATION**

Each application for CDBG funds must be accompanied by a copy of a resolution or motion duly adopted or passed as an official act by the applicant's governing body within six months of the date of application which:

- authorizes the submission of the application;

- states the applicant's willingness to abide by the federal requirements described in the CDBG Certifications for Application; and
- authorizes the applicant's chief elected official to act on its behalf in regard to the application and to provide such additional information as may be required.

Sample formats for this resolution are available from the DOC.

The DOC will assume that the applicant has determined its legal authority under Montana law to apply for the grant and to conduct the activities proposed in the application. The Department may request additional information from the applicant if it is aware of any evidence to the contrary.

#### **P. PROJECT MANAGEMENT PLAN**

As part of its application, each applicant must submit a draft project management plan which, at a minimum:

1. addresses the local government's plans for assuring proper management of the CDBG project, including financial management of grant funds, compliance with State and federal requirements, and effective and timely start-up and completion of project activities;
2. identifies the person or persons who will be responsible for day-to-day grant management (or position descriptions developed for these persons) and any contracted services to be utilized in carrying out the project;
3. includes a quarterly schedule for project implementation which identifies the timeframes for major activities and expenditures and the coordination of non-CDBG resources for the project;
4. addresses potential environmental concerns; and
5. if more than a single funding source or organization is involved, a description of how these will be coordinated and directed and when these funds or assistance will be available. The applicant must demonstrate adequate pre-planning to ensure that project activities can commence quickly if funds are awarded and that firm commitments exist for the other resources to be involved in the project.

To be awarded a grant under the CDBG Program, a local government must have the management capacity to undertake and satisfactorily complete the project it is proposing within 24 months of grant award. An applicant is assumed to have the capacity to undertake the proposed project unless available information raises a question concerning an applicant's capacity. If any question arises during the evaluation of the application, DOC may request additional information. **Sample management plans are available upon request from DOC.**

If an applicant does not believe that it currently has the capacity to manage a CDBG grant, it may propose to hire administrative staff or arrange for project administration by another local government through an interlocal agreement or by contracting for administrative services with a consultant, after grant award. **In all cases, the applying local government assumes direct responsibility for proper financial management of the CDBG funds awarded to it and compliance with all applicable federal and state requirements.**

## **Q. ENVIRONMENTAL IMPACT**

All CDBG projects are subject to the National Environmental Policy Act and the Montana Environmental Policy Act. Both laws seek to avoid adverse impacts on the environment by mandating careful consideration of the potential impacts on any development assisted with federal funds or approved by a state agency. In addition, CDBG projects are subject to numerous other state and federal environmental laws. Applicants are encouraged to be sensitive to potential environmental impacts while their CDBG projects are first being planned in order to avoid problems which could create delays, add to construction costs, or even prevent a project from being implemented.

The Certifications for Application referred to above in "N.Certifications for Application" contains a listing of the major federal environmental statutes and regulations which will apply to all CDBG funded projects. In addition, a form entitled "Checklist of Environmental Considerations for CDBG Applications" is available from DOC to further assist potential applicants to evaluate possible environmental impacts of projects under consideration. Local officials who have any concerns or questions regarding the potential environmental impacts of their proposed CDBG project or the environmental requirements should contact DOC for guidance in advance of submitting their application for CDBG funds.

## R. DISPLACEMENT

The federal Housing and Community Development Act requires each State to minimize the displacement of persons which may occur as a result of activities assisted with CDBG funds. HUD regulations require that if any CDBG activity could result in displacement, the grantee must adopt a plan for minimizing displacement of persons and mitigating any adverse effects of displacement on low and moderate income persons. CDBG grantees must provide reasonable benefits and relocation assistance to any person involuntarily and permanently displaced as a result of the use of CDBG funds to acquire or substantially rehabilitate property, including businesses. In addition, HUD requires that grantees provide reasonable benefits to persons displaced as a result of the use of CDBG funds in cases which are not governed by the Uniform Relocation Act.

**The Act also requires the DOC "to adopt a residential antidisplacement and relocation assistance plan."** In order to receive CDBG funds, grant recipients must certify that they are following the plan. This certification is included in the Certifications for Application that each applicant must sign and submit with the CDBG application. Montana's Antidisplacement and Relocation Assistance Plan is available upon request from DOC.

The act prohibits the use of CDBG funds to displace low or moderate income persons or demolish vacant habitable dwelling units, unless the grant recipient provides replacement housing and pays relocation costs. Replacement housing must be of equal value, be in standard condition, and reasonably expected to be available to low and moderate income persons for ten years.

The one-for-one replacement unit requirement can be waived only if it can be demonstrated that the area has enough vacant habitable and affordable housing for the affected households. However, grant recipients still have to cover all relocation costs and offer a HUD Section 8 housing voucher or certificate or pay subsidies to hold the cost of housing for any displaced household at no more than thirty percent of their gross income, for a period of five years.

**Communities planning CDBG projects which may involve displacement of local residents or businesses, should contact DOC for guidance on the federal requirements which will apply.**

## S. ACQUISITION

Federal requirements specify that local governments proposing the public acquisition of real estate or easements as part of a CDBG funded project must formally notify the effected property owner(s), prepare an appraisal to determine fair market value, have the appraisal reviewed, and make a written offer to purchase based upon an amount determined to be "fair market value". As an alternative, "voluntary" acquisition procedures containing fewer steps can be undertaken if the local government agrees to waive its right of eminent domain in the event negotiations fail to result in a mutually acceptable agreement. Local governments having any questions regarding acquisition of real estate should contact DOC for further guidance.

#### IV. APPLICATION EVALUATION AND RANKING

Because of the serious problems faced by Montana communities, the demand for CDBG funds has always far exceeded the amount available. Because the program is so competitive, an application ranking procedure has been developed to provide an objective means to evaluate the degree to which a proposed project responds to the criteria for its type of project. The housing and public facilities categories use different ranking criteria in order to provide measures which are appropriate to each type of project.

During the fall, 1994 CDBG program evaluation survey, local governments demonstrated strong support for maintaining a competitive process for grant applications in the housing and public facilities categories. Most comments supported the concept that the competitive grant award process assures that the limited available CDBG funds would go to the best planned projects addressing the greatest community needs while maximizing benefit to low and moderate income persons.

Applications for each grant category will be evaluated by applying the ranking criteria to proposed project activities and by evaluating applications against others competing in the same category. The assignment of points provides a means to objectively rank the projects in order of quality and will be done in a manner that is accountable to the criteria in the guidelines. The point weights also provide a mechanism to compare ranking scores to assure that applications are being evaluated consistently and fairly.

##### A. SELECTION OF APPROPRIATE GRANT CATEGORY

The selection of the appropriate grant category is the applicant's responsibility. If an application is submitted under an inappropriate category, DOC reserves the right to review it under the proper category, whether as part of the spring public facility competition or fall housing competition. If it is determined that it is necessary to change the category of an application, the applicant will be notified. Local officials having any concern or questions regarding the proper category for the CDBG project they are considering should contact the DOC for guidance as early as possible in the process of preparing an application.

Any project under consideration for a CDBG application should be compared against the ranking criteria for the appropriate grant category. Not all the criteria in each category are of equal importance. Each criterion has been assigned a number

representing its relative priority or weight. By reviewing the criteria and weight in potential points assigned to them, applicants should have a better sense of the major issues involved in designing a competitive proposal and the relative effort which should be devoted to responding to each criterion. Any person with a question or concern regarding any of the ranking criteria should contact the Department's CDBG staff prior to application.

The individual applications submitted under each project category will vary depending upon the project activities proposed, the size and character of the municipality or county applying, and each applicant's unique response to its own particular community's specific needs. Because no purely quantitative measures exist which can anticipate the variety of potential community development needs and all responses to them, the ranking must be, in part, subjective. In evaluating the applications, DOC will take into account not only how well each applicant addresses the problems it has defined, but also how its problems and response compare with those of other applicants in the same grant category.

## **B. RANKING PROCEDURES**

Upon submission, DOC CDBG staff will review each application for completeness and for conformance to federal and State CDBG requirements. An application may be disqualified from a scheduled grant competition if it fails to comply with a general requirement applicable to all CDBG applications or a special requirement for the grant category applied for. Disqualified applicants will be notified in writing of the reason for disqualification.

Applicants are expected to keep DOC informed of any developments during the review process which could affect the viability of the proposed project. DOC may contact the applicant to obtain omitted information, to clarify issues, or to verify information contained in the application.

Ad hoc ranking teams for each project category will be appointed from State agency staff. Applications will be evaluated by the ranking teams using the appropriate criteria and numerical point systems described in these CDBG application guidelines. The ranking teams will serve in an advisory capacity to the DOC Director regarding the applications that should be considered for CDBG awards.

DOC may supplement application materials, as needed, by consulting public or private agencies knowledgeable about proposed projects or particular community problems. DOC will provide for outside technical review of applications by other public or private

agencies or professionals when deemed necessary to assure adequate review. In making their evaluations the ranking teams may seek the expertise of outside technical authorities, such as staff from the Department of Health and Environmental Sciences, or from consultants. Site visits may be made to the proposed project area for the purpose of verifying or further evaluating information contained in the application.

After reviewing each application and any technical review comments, the ranking team will assess the degree to which the proposed project responds to each of the applicable criteria. Scores will be assigned according to the point values established for the criteria. A failure to respond to a criterion will result in no points being awarded for that criterion. If the ranking team determines that the applicant has inadequately documented specific statements or claims made in responding to a criterion, it may assign the application a lower score than would otherwise have been assigned based on the statement or claim itself. Likewise, numerical or percentage claims will be accepted and considered valid only to the extent to which they are clearly substantiated by accompanying documentation.

Because each application must stand or fall according to its intrinsic merits, representatives of applicants will not participate in the application review and ranking process.

The ranking teams will submit their written findings and recommendations for grant awards to the DOC Director for his consideration, based upon the order of scores assigned by the ranking teams for the applicants in each category. The final decision on grant awards will be made by the Director. In the event that the Director revises any of the scores assigned by the ranking teams or selects an application for award other than those recommended by the ranking teams, the Director will prepare a written finding, consistent with the criteria established in these application guidelines, describing the rationale upon which the alternate score was assigned or award was made.

The actual number and types of awards will be subject to funding availability, the amount of each applicant's request, and the procedures set out under "Distribution of Funds." In the event of tie scores, projects will be selected on the basis of the Director's judgment of the overall quality of the proposed projects and their consistency with the goal and objectives of the Montana CDBG Program.

## V. HOUSING AND NEIGHBORHOOD REVITALIZATION PROJECTS

**Note:** This chapter covers the special requirements and ranking criteria which are applicable to CDBG housing and neighborhood revitalization applications. The chapter must be read in conjunction with Chapter III, General Requirements For All CDBG Applications, which describe the general requirements and policies that are applicable to all applications for CDBG funds.

### A. INTRODUCTION

The CDBG housing and neighborhood revitalization category is intended to rehabilitate substandard housing or assist construction of permanent, long-term housing. In addition, one of the original objectives of the federal Housing and Community Development Act of 1974 was not only to improve housing conditions, but to combat neighborhood deterioration and community blight. The CDBG housing and neighborhood revitalization category is intended to be used to comprehensively address an inadequate supply of affordable low and moderate income housing, substandard housing conditions, and conditions causing community blight.

Projects designed to provide temporary, short-term housing facilities to be owned or operated by local governments or private, non-profit corporations (for example, transitional housing, homeless shelters, emergency shelters) must be submitted under the spring public facilities grant competition.

Types of housing and neighborhood revitalization activities:

#### Demolition

Communities frequently use CDBG funds to demolish unsafe vacant buildings in order to encourage overall revitalization of the neighborhood selected for housing activities.

#### Homebuyer Assistance

Homebuyer assistance to expand homeownership among low and moderate income persons is also an eligible CDBG housing activity. These activities

include the subsidy of interest rates and mortgage amounts for low and moderate income homebuyers, financing the acquisition of housing that is occupied by the homebuyers, providing up to 50 percent of any down payment required, or paying reasonable closing costs. Details are available from the CDBG staff.

#### Housing Rehabilitation and Neighborhood Revitalization

Housing rehabilitation projects focus on bringing housing units up to basic code standards by improving electrical systems, plumbing, and roofing, providing for energy conservation measures such as installation of adequate insulation or energy-efficient furnaces, doors, and windows. CDBG funds are most often used to make low or no interest loans to low and moderate income families to allow them to rehabilitate homes in substandard condition. CDBG funds are also frequently loaned to landlords to allow them to rehabilitate rental units which will be rented to low or moderate income families.

To address neighborhood revitalization, local governments are also encouraged to consider complementary activities such as: demolition of vacant deteriorated buildings, neighborhood clean-up and fix-up activities; water, sewer, and street improvements; or other related activities that would maintain and enhance overall appearance and safety, neighborhood pride, and property values within the surrounding neighborhood or community.

#### New Construction

In developing grant proposals, local governments are encouraged to consider those housing activities which will increase the supply of decent, affordable housing units. CDBG funds can be used to finance or subsidize the construction of new permanent residential units where the CDBG funds will be used by a local nonprofit organization.

#### Public Facilities and Site Improvements Related to Housing

Communities can use CDBG funds to construct or rehabilitate complementary public facilities, such as water and sewer lines, or undertake other site improvements related to housing, as part of an overall housing effort to encourage neighborhood revitalization or promote the creation of new, affordable housing.

### Other New Housing-Related Activities

Housing projects can include the acquisition, clearance, or rehabilitation of sites for use or resale for new housing; site improvements to publicly-owned land or land owned by a non-profit corporation to be used or sold for new housing; or, conversion of existing nonresidential structures for residential use.

## **B. APPLICATIONS ON BEHALF OF NONPROFIT ORGANIZATIONS**

Applicants applying on behalf of nonprofit organizations which will construct, operate and own, or lease an assisted facility or property must submit the information described in Special Requirements for Projects Involving Nonprofit Organizations available from the Department CDBG staff.

## **C. SPECIAL REQUIREMENTS FOR PROJECTS INVOLVING NEW HOUSING CONSTRUCTION**

CDBG funds may be used to finance or subsidize the construction of new permanent residential structures only under the following circumstances:

- If the housing is constructed by a local, community-based, public or private nonprofit organization.
- If grant recipients reconstruct housing on the same site which is owned and occupied by low or moderate income persons where the need for the reconstruction was not determined until after CDBG-assisted rehabilitation began; or
- If grant recipients construct housing of "last resort" under 24 CFR part 42, Subpart I. This housing is limited to housing which is newly constructed for persons displaced by a CDBG project when the project is prevented from proceeding because comparable replacement housing is not available otherwise.

However, several activities which support new housing may be carried out using CDBG funds even if they do not fall within the limited circumstances above. These activities include:

- \* Acquisition of sites for use or resale for new housing;
- \* Clearance of sites for use or resale for new housing;

- \* Site improvements to publicly-owned land or land owned by a nonprofit organization to be used or sold for new housing;
- \* The cost of disposing of real property, acquired with CDBG funds, which will be used for new housing; or
- \* The cost of converting an existing non-residential structure to residential use.

Applicants for new construction do not need to attach housing condition structural surveys. All newly constructed housing units will have to meet applicable property standards, including Section 8 Housing Quality Standards, and State building codes. When constructing 8 or more units in a CDBG-assisted project, federal labor standards (Davis-Bacon wage requirements) also apply.

#### Cash Flow Analysis

CDBG applications involving new housing construction must include a forecasted project cash flow statement (income and expense statement) analyzing income expected to be derived from a project and all project expenses. Projected expenses should include management and administration costs; utility costs; repairs and maintenance costs; insurance and taxes; reserves; and debt service. Forms are available upon request from DOC CDBG staff.

#### **D. SPECIAL REQUIREMENTS FOR PROJECTS INVOLVING HOUSING REHABILITATION AND NEIGHBORHOOD REVITALIZATION**

In addition to the general requirements which are applicable to all CDBG projects, applicants for housing and neighborhood revitalization activities must meet the following special requirements in order to be eligible for an award of CDBG funds.

## 1. Structural Condition Surveys and Maps

Applicants proposing housing rehabilitation activities must include a map depicting the structural condition of housing units and other buildings within the proposed project area. In order to provide a common standard to allow for comparison between communities, DOC has prepared a model structural condition survey form. Applicants planning to conduct a local survey must use the DOC form. Copies are available upon request from DOC.

The map should graphically represent the results of the local housing survey by indicating the location and condition of all structures in the proposed project area, including:

- Standard housing units;
- Moderately substandard housing units;
- Substantially substandard housing units;
- Severely substandard housing units (appropriate for demolition), and
- Vacant housing units among the above categories.

The general condition of nonresidential structures and land uses within the proposed project area must also be described, as well as any significant blighting features in the area.

## 2. Housing Data Summary Form

In addition to the structural condition survey and maps, applicants proposing housing rehabilitation activities must also complete the Housing Data Summary Form, available from DOC. The Housing Data Summary Form addresses most areas pertinent to evaluations of applications described in this chapter. This form is used to present data specific to housing conditions within the designated housing project area.

3. Targeting of Housing and Neighborhood Rehabilitation Projects

Local governments may choose to direct or "target" a housing rehabilitation and neighborhood revitalization project towards a single concentrated area of high need in order to assure adequate recognizable impact. For small communities, the most appropriate project area may be the entire community. All project activities must take place within the project area boundaries unless specifically approved by DOC.

Local governments may also propose "non-traditional" kinds of housing rehabilitation and neighborhood revitalization activities. Rather than choosing to address a limited geographic project area, applicants may incorporate a "scattered site" approach based upon other methods of "targeting" housing rehabilitation and community revitalization activities. Examples would be "targeting" assistance to meet the housing rehabilitation needs of a particular low and moderate income group, such as extremely low income persons, elderly, or handicapped persons, to achieve a recognizable impact within the community. As part of an overall strategy, applicants may also choose to target funds for the rehabilitation of highly visible, deteriorated housing units owned and occupied by low and moderate income persons. Applicants may also propose to target the removal of highly visible, most deteriorated vacant structures, or other blighting influences.

4. Code and Standards Enforcement

"Rehabilitation" includes using CDBG funds to make repairs to substandard residential structures to make them meet or exceed requirements contained in current editions of the following:

- HUD Section 8 Housing Quality Standards;
- HUD Cost-Effective Energy Conservation Standards (CEECS);
- National Electrical Code, as amended;
- Uniform Plumbing Code, as amended;
- Uniform Mechanical Code;
- Uniform Building Code

- CABO (Council of American Building Officials) One and Two Family Dwelling Code, as amended; and
- Any locally adopted codes, such as the Uniform Code for the Abatement of Dangerous Buildings, as amended.

The Montana CDBG Program utilizes the definition of "substandard buildings" contained in the latest authorized edition of the Uniform Housing Code published by the International Conference of Building Officials. This information is available from DOC. Copies of the HUD Section 8 Housing Quality Standards and CEECS are also available from the Department.

Permits must be obtained from DOC's Building Codes Bureau for all electrical and/or plumbing work undertaken with CDBG funds unless the grant recipient has been certified by the Bureau to enforce the codes cited above. In such cases, permits will be obtained locally. In addition, in those cases where the grant recipient has not been certified by the Building Codes Bureau, permits must be obtained from the Bureau for general building and mechanical work when rehabilitation involves structures with five or more units, or any commercial or public buildings.

Grantees will be responsible for assuring that such work is inspected by proper authorities. Options to provide code inspection may include interlocal agreements with governments that have existing building departments, arrangements with DOC's Building Codes Bureau, or by contracting with qualified, private sector persons. Where possible, to preserve independence, local governments are encouraged to utilize the services of a separate individual to perform inspection services. All electrical and/or plumbing work not done by the owner of a single family structure must be done only by electricians and/or plumbers licensed by the State of Montana.

**In responding to the "Project Management" ranking criterion, applicants must include a description of their plan to ensure enforcement of the applicable federal and State housing building standards listed above for the housing units to be assisted with CDBG funds.**

##### **5. Year-around Occupancy**

Housing to be rehabilitated with CDBG assistance must be intended for year-round occupancy by low and moderate income families.

6. Affordability of Rents and Loan Repayments

a. Rents

**HUD regulations require that in order for the rehabilitation of multi-unit structures to qualify as benefiting low and moderate income persons, "...the units must be occupied by low and moderate income persons at affordable rents."**

Grantees have the option of either establishing their own schedules for affordable rents, or utilizing rent schedules not to exceed the current edition of the HUD "Section 8 Existing Fair Market Rents". This standard specifies maximum rents (including utility costs) by bedroom size, by county, for units available on the open market which already meet decent, safe, and sanitary criteria under federal guidelines, and do not require rehabilitation.

HUD's Fair Market Rents are adopted for the HUD Section 8 Program which provides housing for low and moderate income families that cannot afford to pay the prevailing rents in a community. The HUD Fair Market Rents are based on the availability of federal rent subsidies for the families participating in the Section 8 program. Because of this the rents are sometimes higher than market rates. The use of the HUD Section 8 Existing Fair Market Rents to set ceilings on rental units rehabilitated with CDBG funds (for which no rent subsidy is available) could result in establishing maximum rental rates which may not be affordable to low and moderate income families.

**As an alternative, grant recipients are encouraged to establish their own schedules of affordable rents based on actual surveys of prevailing rents in the community for various bedroom sizes of rental units. Consistent with existing policy for other HUD-assisted housing programs, DOC recommends that locally adopted affordable rent schedules be established on the basis of not more than 85% of estimated typical rents in the community, according to the number of bedrooms per rental unit. According to HUD, "the 85 percent figure represents the lowest rent range at which a supply of standard quality units is normally available."**

b. Loan Repayments

Where rehabilitation assistance will be provided through loans to homeowners, in order to assure that the assistance will be affordable, grant recipients must incorporate provisions to assure that no more than 30% of a borrower's gross monthly income will be used to repay the total of the principal and interest, property taxes and insurance (or 35% if the average cost of monthly utilities is included). Local governments have

the option of establishing lower standards or other debt-to-income ratios which consider other existing debt of borrowers, such as an automobile loan or fixed, long-term medical or day care expenses.

## 7. Mobile Homes

Mobile homes and manufactured houses must conform to the following requirements in order to be eligible for rehabilitation with CDBG funds:

- the unit meets or exceeds the standards established by the National Mobile Home Construction and Safety Standards Act of 1974 (42 USC 5401 et seq.);
- the unit and the land it rests on is in common ownership; and
- upon completion of rehabilitation activities, the unit will be attached to a permanent foundation which cannot reasonably be relocated and which conforms to the Montana Department of Revenue criteria for assessment as an improvement to real property for tax valuation purposes.

DOC will waive these requirements only when it finds, based on information provided by the grantee, that no alternative affordable housing is available for residents of such units in the community. All rehabilitation work must still meet Section 8 Housing Quality Standards and all other codes, as applicable.

## 8. Local Rehabilitation Guidelines

**For those projects involving housing rehabilitation, a summary of the proposed basic guidelines to be followed for the proposed housing rehabilitation project must be included in the CDBG application.**

In view of the extent of Montana's needs for rehabilitation of substandard housing and the limited CDBG funds available, DOC encourages applicants to address the following in their rehabilitation guidelines:

- a. special financing techniques to "leverage" CDBG funds to encourage investment by homeowners and lenders, thereby increasing the total amount of funding available in order to assist a greater number of households;

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- b. the targeting of assistance to low and moderate income households identified as having special needs such as those with low incomes, female heads of household, or elderly, handicapped or minority members;
- c. financing policies (affordability analysis) designed to recognize homeowners' existing housing costs and ability to afford the costs of rehabilitation;
- d. policies to provide a reasonable return on investment for rehabilitation of rental units undertaken by landlords;
- e. the establishment of a reasonable ceiling on the amount of funds to be spent on any one household;
- f. policies concerning which housing units are physically suitable for rehabilitation with particular emphasis on the long-term cost-effectiveness of proposed rehabilitation.
- g. policies to encourage cost-effective rehabilitation work on individual units to restore them to a safe, decent and sanitary condition and provide a suitable living environment with primary emphasis on addressing basic housing code deficiencies, and
- h. policies to encourage the removal of blighting influences on the property of assisted housing units and in the neighborhood of the CDBG project.

#### References for Preparing Local Housing Rehabilitation Program Guidelines

Copies of local housing rehabilitation program guidelines from other communities, as well as copies of previously successful CDBG applications and other related reference materials are available upon request from DOC staff. The CDBG program has two new publications available to assist local governments: Housing Rehabilitation Program Workbook and Designing and Initiating a Small Community Housing Rehabilitation Program.

## **HOUSING AND NEIGHBORHOOD REVITALIZATION CATEGORY RANKING CRITERIA**

Housing applications will be evaluated according to the following criteria and may be assigned up to a maximum of 800 points, based on the following ranking criteria:

1. Project Planning and Selection	100 Points
2. Need	150 Points
3. Community Efforts	100 Points
4. Project Strategy and Impact	200 Points
5. Benefit to Low and Moderate Income	150 Points
6. Project Implementation and Management	<u>100 Points</u>
<b>TOTAL:</b>	<b>800 Points</b>

**1. PROJECT PLANNING AND SELECTION -- 100 points.**

**In responding to this criterion, applicants should address the following:**

- the appropriateness and adequacy of the applicant's needs assessment process and citizen participation efforts, including efforts to involve low and moderate income residents;
- the relationship of the proposed housing and neighborhood revitalization project to the community needs assessment and expressed public opinion;
- the rationale for selection of the project; and
- the degree to which the needs of low and moderate income residents have been considered by the applicant and how the proposed project will benefit low and moderate income persons.

**Please refer to Section E., Community Development Needs Assessment, within Chapter III of these Guidelines for guidance.**

**In applying the criterion, the Department will consider whether the applicant has thoroughly documented the following:**

- a. adequate efforts to encourage meaningful citizen participation, including efforts to involve low and moderate income residents, in the community's planning and needs assessment process and in the selection of the CDBG project and project area, and to thoroughly address the needs of low and moderate income residents. (Dates, times, and locations of public hearings, attendance lists, and meeting summaries or minutes will be considered.);
- b. the applicant has adequately assessed its overall community development needs, and has developed a thorough and achievable long-term comprehensive plan for dealing with its needs, taking into account available local, state and federal resources;
- c. the applicant has considered the relationship between the community's overall housing and neighborhood revitalization needs and the needs, including new construction, housing rehabilitation, demolition, site improvements, and

homebuyer assistance and the needs identified in the most current version of the State of Montana Consolidated Housing and Community Development Plan;

- d. the applicant has established priorities for dealing with its overall housing and related needs as applicable; and has reviewed its alternatives for dealing with those needs, taking into account expressed public opinion and available local, State and federal housing resources; and
- e. the applicant has demonstrated a sound rationale describing why the housing activities proposed are the most appropriate ones to meet the identified needs by discussing the alternatives considered before selecting this option.

**Each application will receive points depending upon its overall response to the criterion, in comparison with the other applications submitted:**

<b>BEST</b>	<b>100 points</b>
<b>ABOVE AVERAGE</b>	<b>75 points</b>
<b>AVERAGE</b>	<b>50 points</b>
<b>BELOW AVERAGE</b>	<b>25 points</b>

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2. NEED -- 150 points

The need for housing improvements or neighborhood revitalization generally results from the deterioration of the local housing stock or the lack of affordable housing due to an inadequate supply of units, to low incomes, high interest rates, or market demand. The application narrative must describe the applicant's overall housing needs as well as for any other housing activities for which the applicant is seeking CDBG funding, such as among the following areas:

- housing rehabilitation and neighborhood revitalization;
- demolition;
- new construction;
- public facilities and site improvements related to housing; and
- homebuyer assistance.

Housing Rehabilitation and Neighborhood Revitalization

For applications proposing housing rehabilitation and neighborhood revitalization activities within a defined project area, the narrative must include a description of the project area including the number and percentage of:

- standard housing units;
- moderately substandard housing units;
- substantially substandard housing units;
- severely substandard housing units (appropriate for demolition); and
- vacant housing units among the above categories.

**Applicants for housing rehabilitation projects must attach the completed Structural Condition Survey Form and Housing Data Summary Form available from the Department.**

The description and accompanying map must also address the general condition of nonresidential structures and land uses within the proposed project area, as well as any significant blighting features in the area.

New Construction

In evaluating requests for new construction, the Department will consider the need for the new construction and whether the applicant has appropriately documented the lack of affordable housing and the conditions which produced an inadequate supply of dwelling units.

Applicants Who Have Not Previously Received Major Housing Assistance

In evaluating need, special consideration will be given to communities which have not been recipients of major state or federal housing assistance, including CDBG, within the last ten years, while also demonstrating a serious housing need.

In applying the "Need" criterion, the Department will consider whether the applicant has thoroughly documented the following:

- a. a comprehensive analysis of overall community housing needs including the following:
  1. inadequate housing stock for a limited clientele or persons with special housing needs;
  2. a general shortage of decent and affordable housing for low and moderate income families; or
  3. major dilapidation or deterioration of housing or other structures and the existence of severe blighting conditions and revitalization needs;
- b. its overall community housing and related needs as well as the needs within the project area, including the particular needs of both low and moderate income households (including owners and renters) and households which may have special needs such as those with low incomes, female heads of family and minority, elderly or disabled household members;

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- c. the local government has not been a prior recipient of major assistance from a state or federal housing assistance program, including CDBG, within the last ten years.

**Each application will receive points depending upon its documented overall need for housing related assistance in comparison to the application submitted:**

<b>HIGHEST NEED</b>	<b>150 points</b>
<b>ABOVE AVERAGE</b>	<b>113 points</b>
<b>AVERAGE</b>	<b>75 points</b>
<b>BELOW AVERAGE</b>	<b>38 points</b>

### 3. COMMUNITY EFFORTS -- 100 points

Each applicant must demonstrate that the proposed CDBG activities offer a solution to an identified community housing need which could not reasonably be accomplished by the applicant without CDBG assistance. The applicant must demonstrate that the level of local public and private financial participation in the proposed project is the maximum that it can reasonably be expected to provide. The applicant should outline steps taken to secure financing or other resources, and the results of those efforts. The criterion will also consider the applicant's readiness to promptly implement the project if awarded CDBG funds.

The Department will consider whether the applicant has provided evidence of serious efforts to thoroughly seek out and secure the firm commitment of alternative or additional funds and services from all appropriate public or private sources to enhance the impact of the proposed project.

In documenting a commitment, the applicant must specify the amount, use, and source of the funds or resources. Funds or resources committed by a local government must take the form of a resolution by the governing body which specifies the approximate amount of the commitment. Funds or resources from a State or federal agency, private organization, or lender must be documented by a letter of commitment from the agency, organization, or lender involved. The commitment of funds or resources may be made contingent on CDBG funds being awarded for the project.

**Please refer to Section J., Public or Private Sector Commitments, within Chapter III of these Guidelines for guidance.**

In applying the "Community Efforts" criterion, the Department will consider whether the applicant has thoroughly documented the following:

- a. relative to the applicant's financial ability, that the level of local public and private sector financial participation in the proposed project is the maximum that can reasonably be expected, including local financial contributions to proposed activities, such as providing all or a portion of administrative costs or other forms of direct financial or in-kind contribution.
- b. relative to the applicant's financial ability, the applicant has undertaken or will undertake non-CDBG financed efforts in the community and/or

project area to address the identified housing and neighborhood revitalization needs such as:

- improvements to public facilities;
- community or neighborhood "cleanup", "paint-up", "fix-up" campaigns by volunteer civic groups or the local government;
- establishment of tax incentives for building remodeling authorized under Montana law (Section 15-24-1501, MCA);
- adoption of "community decay" ordinances for blight removal as authorized under Montana law (Section 7-5-2111, MCA, for counties, and Section 7-5-4104, MCA, for municipalities); or
- has enforced or is prepared to aggressively enforce the Uniform Code for the Abatement of Dangerous Buildings to eliminate dilapidated or deteriorated buildings, such as the clearance of a substantial portion of unsafe, vacant, deteriorated structures which cannot be economically rehabilitated;

c. the applicant has thoroughly analyzed its housing needs and officially adopted a long-term housing plan and has integrated it with local planning and zoning policies;

d. if program income from previous CDBG housing grants has been received, the applicant has documented the successful use of the program income funds to further address the housing needs of low and moderate income households and will commit any available funds to the project;

e. the applicant has secured firm commitments from local lenders to provide private funds in combination with CDBG funds at favorable terms and conditions, including concessions of standard terms on interest rates to assist the project, or has secured firm commitments for assistance from other State or federal funding sources, such as the Montana Board of Housing or Federal Home Loan Bank; and

- f. the applicant will be ready to proceed with the project immediately following normal grant start-up procedures or all non-CDBG resources will be available for participation in the project within six months of CDBG award by DOC.

**Each application will receive points depending upon its overall response to the criterion, in comparison with the other applications submitted:**

<b>BEST</b>	<b>100 points</b>
<b>ABOVE AVERAGE</b>	<b>75 points</b>
<b>AVERAGE</b>	<b>50 points</b>
<b>BELOW AVERAGE</b>	<b>25 points</b>

#### 4. PROJECT STRATEGY AND IMPACT -- 200 points

This criterion will consider:

- the degree to which the applicant has developed a complete, well reasoned, appropriate and achievable strategy;
- the extent to which the proposed activities represent the applicant's most effective option for achieving maximum impact on identified housing and community revitalization needs;
- the degree to which any proposed secondary activities are clearly complementary to and in support of the principal housing and community revitalization project; and
- the applicant's efforts to avoid adverse impacts from the project.

Each applicant must provide a narrative which describes the overall Project Strategy and Impact. In applying this criterion, DOC will consider whether:

- a. the applicant has developed a complete, well reasoned, appropriate and achievable strategy for dealing with identified housing and community revitalization needs, taking into consideration all available public and private resources and local capacity;
- b. any proposed secondary activities are clearly complementary to the principal housing and community revitalization project and enhance the overall impact of the project;
- c. the proposed financing terms encourage the "leveraging" of other public and private sector resources and will provide for analysis of the financial situation of each housing assistance applicant, including homeowners, renters and landlords to ensure that terms and financing techniques are appropriate and affordable, and consistent with prudent management of limited public funds;
- d. any proposed "leveraging" arrangements are supported by firm commitments from developers and financial institutions, including favorable terms, and therefore a high likelihood exists that additional housing units will be created or

rehabilitated, or otherwise assisted beyond that possible using CDBG funds alone;

- e. the applicant has realistically assessed the potential response of homeowners, renters and the owners of rental housing to the selected project design;
- f. the number and type of housing units and the CDBG cost per unit to be assisted, as well as the extent of improvements proposed, are reasonable based on conditions in the community.
- g. the project will expand housing opportunity and choice for low and moderate income persons through the provision of housing which was not available previously, such as facilitating the construction of new housing;
- h. if housing rehabilitation is proposed:
  - the applicant has appropriately documented a reasonable percentage or number of substandard housing units that are suitable for rehabilitation, with an emphasis on cost-effective rehabilitation;
  - the applicant has chosen to target a geographic area of high need, in terms of concentrations of low and moderate income and substandard housing suitable for rehabilitation, which offers a reasonable potential for generating substantial recognizable impact; or
  - in the case of non-targeted, scattered site housing rehabilitation and community revitalization strategies, the strategy offers a strong potential to reduce substandard housing and community blight, while generating recognizable impact overall, and at the same time meets the needs of a particular low and moderate income group; and
  - the applicant will provide related housing services to the community in support of the housing rehabilitation project such as housing rehabilitation counseling, provision of rehabilitation workshops for non-CDBG eligible residents, or outreach or referral programs to publicize non-CDBG options for financing home improvements;
- i. if land assemblage is proposed, commitments have been obtained for new construction on the sites to be acquired contingent on receipt of CDBG funding;

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- j. if acquisition and demolition is proposed, occupancy of the units identified as requiring clearance has been determined, and if necessary, an appropriate and cost-effective relocation strategy has been developed; and
- k. in instances where the local government or nonprofit entity will assume an ongoing subsidy of the project (for example, Section 8 rent assistance), the level of subsidy, effect of the subsidy on revenues and long-term management, and the anticipated long-term benefits of the project will also be evaluated;

**Each application will receive points depending upon its overall response to the criterion, in comparison with the other applications submitted:**

<b>BEST</b>	<b>200 points</b>
<b>ABOVE AVERAGE</b>	<b>150 points</b>
<b>AVERAGE</b>	<b>100 points</b>
<b>BELOW AVERAGE</b>	<b>50 points</b>

## 5. BENEFIT TO LOW AND MODERATE INCOME -- 150 points

**This ranking criterion assesses the extent to which CDBG funds will be used to benefit low and moderate income persons by dividing the total amount of non-administrative CDBG funds proposed to be used to benefit low and moderate income households by the total amount of non-administrative CDBG funds requested by the applicant.**

Under federal law CDBG-funded housing activities can be considered to benefit persons of low and moderate income only to the extent that the housing will, upon completion, be occupied by low or moderate income persons.

**Applicants will be assigned three points for each documented percentage of benefit to low and moderate income persons over fifty percent. Fractional percentages will be rounded to the nearest whole number.**

Documentation for benefit to low and moderate income persons must be consistent with the most recent edition of DOC guidelines, Documenting Benefit to Low and Moderate Income Persons, and described on the form provided in those guidelines.

## 6. PROJECT IMPLEMENTATION AND MANAGEMENT -- 100 points

This criterion will assess the soundness and appropriateness of the applicant's plan for assuring proper short-term management of the CDBG project, including financial management of grant funds, compliance with State and federal requirements, and cost-effective and timely start-up and completion of project activities. This criterion will also assess, where applicable, the soundness and appropriateness of the applicant's (or subrecipient entity's) plans for assuring proper operation and long-term management of the assisted housing activity.

In applying the "Project Implementation and Management" criterion, the Department will consider whether the applicant has thoroughly documented the following:

- a. that applicant's plan for assuring proper management of the CDBG project is sound and appropriate, including financial management of grant funds, compliance with State and federal requirements, and cost-effective completion of project activities, and the applicant has adequately considered the administrative and technical issues involved in the proposed housing project and has developed appropriate responses to them;
- b. the applicant has demonstrated that the activities are feasible and achievable, taking into consideration the size and resources of the community, the budget, and implementation schedule proposed and all budget costs and the proposed implementation schedule are clearly reasonable and well supported;
- c. the applicant has demonstrated that either firm commitments exist for any other resources to be involved in the project, or the applicant has demonstrated that the resources will be available within six months of the award of CDBG funds;
- d. if other funding sources or organizations will be involved in the project, the applicant has adequately described how these will be coordinated and directed;
- e. the applicant has considered environmental or regulatory concerns and there appear to be no major problems, or appropriate responses for identified problems have been described. In addition, the project will avoid adverse impacts on the environment, including historic resources, and displacement of individuals which may result from the proposed activities;

- f. the applicant has identified the person or persons who will be responsible for day-to-day project management and financial management, or has identified any services which will need to be contracted for in order to carry out the project.
- g. if income is to be generated by CDBG-funded activities, a plan has been developed for the use of that money and long-term administrative mechanisms have been proposed; and
- h. if existing structures are to be rehabilitated for multiple family housing in excess of 8 units or if new housing construction is proposed, the applicant has provided additional pertinent information such as preliminary site improvement plans and/or floor plans (for new construction), and has addressed issues such as compliance with handicapped access, prevailing wage rates, comprehensive plans, and local zoning and subdivision review requirements.
- i. if acquisition, demolition or relocation are proposed, the applicant has thoroughly considered the administrative and technical issues, mechanisms and procedures that will be involved in carrying out these activities;
- j. for applications where facilities or activities are proposed that will remain the responsibility of a nonprofit entity, the proposed project will also be evaluated on the basis of the past performance of the organization and the soundness and appropriateness of the plans for assuring proper operation, maintenance, and long-term management of the facilities or activities;
- k. if a previous grantee under the State CDBG Program, past performance of project management responsibilities will also be considered, including the timeliness of project implementation and closeout.
- l. if professional services will be necessary for implementation and management of the CDBG project, the applicant will ensure maximum free and open competition in the procurement of those services.

**Each application will receive points depending upon its overall response to the criterion, in comparison to the other applications submitted:**

<b>BEST</b>	<b>100 points</b>
<b>ABOVE AVERAGE</b>	<b>75 points</b>

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<b>AVERAGE</b>	<b>50 points</b>
<b>BELOW AVERAGE</b>	<b>25 points</b>

## VI. PUBLIC FACILITIES PROJECTS

**NOTE:** This chapter covers the special requirements and ranking criteria which are applicable to CDBG public facilities applications. The chapter must be read in conjunction with Chapter III, General Requirements For All CDBG Applicants, which describes the general requirements and policies that are applicable to housing and public facility applications for CDBG funds.

### A. INTRODUCTION

In public facility projects, CDBG funds are most often used in combination with other federal, state, or local funds to make public improvements affordable to low and moderate income families. Activities may also include direct assistance to low and moderate income families such as payment of assessments or hookup charges for public improvements.

Public facility projects can also include facilities designed for use predominately by persons of low and moderate income such as nursing homes, senior centers, mental health centers, shelters for homeless persons, battered spouses or abused children, or group homes for developmentally disabled persons.

Projects designed to provide temporary, short-term housing (for example, transitional housing, homeless shelters, and emergency shelters) would also fall under the public facilities category. Projects designed to provide permanent, long-term housing, including necessary site improvements or public facilities, must be submitted under the housing and neighborhood revitalization category.

Nonprofit entities may acquire title to public facilities such as senior centers, centers for the handicapped, nursing homes, and neighborhood facilities. When such facilities are owned and/or operated by nonprofit entities, they must be open for use by the general public during all normal hours of operation.

Special purpose agencies or non-profit organizations, (such as water, sewer, or solid waste districts or Human Resource Development Councils or hospital associations), considering public facility improvements should carefully review the section for "A. Eligible Applicants under Part III. General Requirements for All CDBG Applications."

"Buildings for the general conduct of government" are ineligible for CDBG assistance. This includes city halls, county courthouses, county or municipal administrative office buildings or other facilities in which the legislative, judicial or general administrative affairs of government are conducted.

## **B. FEDERAL REQUIREMENTS REGARDING ASSESSMENTS AND HOOKUP CHARGES**

The federal Housing and Community Development Act imposes special requirements on projects which will be financed, in part, by hookup charges or assessments on property, such as through a special improvement district.

### **1. For Areas with 51% or Greater Low and Moderate Income Persons**

If a community intends to finance its public facility project through the creation of a special improvement district (SID) and is requesting CDBG funds to financially participate in the project, the community would be required to use CDBG funds to pay the entire SID assessment for each low and moderate income household within the project area. If the community determines that the CDBG grant amount is not high enough to allow it to pay assessments for all low and moderate income persons, it would certify that fact to DOC, and in this event either:

- a. provide sufficient CDBG funds to pay all the assessments for low income households only, or
- b. use a portion of the CDBG funds to pay for all low income households, and distribute the balance of CDBG funds remaining among moderate income households by prorating the amount of CDBG assistance in proportion to the level of household income.

### **2. Payment of Assessments in Areas with Less Than 51% Low and Moderate Income Persons**

The Federal Housing and Community Development Act authorizes the use of CDBG funds for payment of special assessments levied against properties owned and occupied by persons of low and moderate income in neighborhoods or communities where less than 51% of the residents are low and moderate income (LMI). This permits a local government to use CDBG funds to pay special assessments levied

against properties owned and occupied by LMI persons even when less than 51% of the area residents are LMI.

An important limitation on this option is that CDBG funds can only be used to pay assessments in project areas with less than 51% low and moderate income. In these cases, CDBG funds cannot be used for related engineering or construction costs. This amendment provides a significant opportunity to provide direct benefit to low and moderate income families through public facilities projects which otherwise would not have been eligible in past years.

Applicants having any questions regarding these requirements should contact DOC CDBG staff for guidance.

**Note:** The above requirements do not apply to public facilities that will be financed through the issuance of revenue bonds.

#### **C. APPLICATIONS FOR ASSISTANCE TO NONPROFIT ENTITIES**

Applicants applying on behalf of nonprofit organizations which will operate and own or lease an assisted facility or project must submit the information described in the form, Special Requirements for Projects Involving Nonprofit Organizations, available from the Department CDBG staff.

### **PUBLIC FACILITIES RANKING CRITERIA**

Public facility applications will be evaluated according to the following criteria and may be assigned up to a maximum of 800 points:

1. Project Planning and Selection	75 Points
2. Need for Project	150 Points
3. Technical Review	100 Points
4. Community Efforts and Readiness	100 Points
5. Need for Financial Assistance	150 Points
6. Benefit to Low and Moderate Income	150 Points
7. Project Implementation and Management	<u>75 Points</u>
<b>TOTAL:</b>	<b>800 Points</b>

## 1. PROJECT SELECTION AND PLANNING -- 75 POINTS

In responding to this criterion, applicants should address the following:

- the appropriateness and adequacy of the applicant's needs assessment process and citizen participation efforts, including efforts to involve low and moderate income residents;
- the relationship of the proposed project to the needs assessment and expressed public opinion;
- the rationale for selection of the project;
- the degree to which the applicant has developed a reasonable, complete, and appropriate strategy for dealing with its public facility needs in relation to its financial capacity and available sources of funding; and
- the degree to which the needs of low and moderate income residents have been considered by the applicant and how the proposed project will benefit low and moderate income persons.

Please refer to Section E., Community Development Needs Assessment, and Section F., Citizen Participation, of Chapter III of these Guidelines for guidance.

In applying the criterion, the Department will consider whether the applicant has thoroughly documented the following:

- a. adequate efforts to encourage meaningful citizen participation, including efforts to involve low and moderate income residents, in the community's planning and needs assessment process and in the selection of the CDBG project and project area, and to thoroughly address the needs of low and moderate income residents. (Dates, times, and locations of public hearings, attendance lists, and meeting summaries or minutes will be considered.);
- b. the applicant has adequately assessed its overall community development needs and has developed a thorough and achievable long-term comprehensive plan for dealing with its needs, taking into account expressed public opinion and available local, state and federal resources;

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- c. the applicant has assessed its overall public facility needs, has identified and documented the deficiencies and established priorities for dealing with them through an officially adopted capital improvements plan and the proposed CDBG project is an integral part of that plan;
- d. the applicant has described the technical alternatives considered before selecting the proposed option for resolving its public facility need and has developed a well-reasoned and achievable proposal;
- e. the applicant has considered the financial impacts on or benefits to low and moderate income households as a result of project activities and has proposed administratively sound, cost-effective means of minimizing adverse financial impacts or maximizing benefits, such as establishing a metered water system to allocate costs on the basis of use or payment of assessments, hookup fees or water meter installation charges for low and moderate income households;
- f. the estimated cost per household has been discussed and is documented in the public hearing minutes, and affected property owners have been informed of the amounts of any anticipated increases in assessments or user charges through public hearings or other consultations and are in support of the project;
- g. in cases where the proposed project will not completely resolve the community's public facilities need, the project represents a complete and reasonable component of an overall, long-term program of scheduled improvements.

Each application will receive points depending upon its overall response to the criterion:

<b>BEST</b>	<b>75 points</b>
<b>ABOVE AVERAGE</b>	<b>56 points</b>
<b>AVERAGE</b>	<b>38 points</b>
<b>BELOW AVERAGE</b>	<b>19 points</b>

## 2. NEED FOR PROJECT -- 150 points

This ranking criterion will consider the overall need for the activities to be addressed with CDBG funds in comparison with the other public facilities projects submitted for funding. In documenting the need for the proposed CDBG project activities, applicants should address the following as appropriate:

- the degree to which the public facilities problem to be addressed with CDBG funds affects the public's health and safety, the proportion of the total community that is affected; and the extent to which Low and Moderate Income (LMI) residents are affected; and
- the immediacy of the public facility problem to be addressed with CDBG funds, including the cause of the problem, how long the problem has existed, and/or how often it has reoccurred;

The need for the proposed project activities will be assessed by using existing criteria or recommendations of other appropriate public or private agencies, whenever possible. When necessary, the Department will seek technical review by appropriate public or private agencies or firms to evaluate proposals.

Highest priority will be given to projects which are designed to eliminate serious and immediate threats to the public's health or safety. Combining high priority activities with activities considered to be lower priority could result in the assignment of a lower overall rank. In order to document that serious conditions exist, applicants should submit written verification by a public or private agency other than the applicant (a statewide agency, if possible) that existing conditions pose a threat to the health or welfare of the community or targeted population group.

Applicants proposing CDBG-funded activities which, overall, are considered to be addressing the most severe and immediate needs will receive the highest score. In applying the criterion, the Department will consider whether the applicant has thoroughly documented that:

- a. a serious deficiency exists in a basic or necessary community public facility or service, such as the provision of a safe domestic water supply (or that the community lacks the facility or service entirely);

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- b. circumstances clearly attributable to a deficiency have occurred, or are likely to occur, such as serious illness, disease outbreak, substantial property loss or serious environmental pollution;
- c. the problem is existing, continual, and chronic as opposed to occasional, sporadic, probable or potential;
- d. the proposed activities to be addressed with CDBG funds are necessary to comply with a court order or a State or federal agency directive;
- e. there is clear documentation that the current condition of the public facility (or lack of a facility) violates a health or safety standard; and the health or safety standard which is being violated represents a significant threat to public health or safety; and
- f. the entire community or a substantial portion of the residents of the community are seriously affected by the deficiency, including the extent to which Low and Moderate Income (LMI) residents are affected.

**Each application will receive points depending upon its overall response to the criterion, in comparison with the other applications submitted:**

<b>MOST SEVERE AND IMMEDIATE</b>	<b>150 points</b>
<b>ABOVE AVERAGE</b>	<b>113 points</b>
<b>AVERAGE</b>	<b>75 points</b>
<b>BELOW AVERAGE</b>	<b>38 points</b>

### 3. TECHNICAL REVIEW-- 100 points

Applicants for public facility projects must provide, as appropriate, a preliminary engineering or architectural plan or study which is sufficiently detailed to describe the scope of the problem to be addressed, as well as the technical components of and estimated costs for the proposed facility or improvements. The report should describe the technical alternatives considered to deal with the identified problem, the cost projections for each, and the rationale for the selection of the proposed alternative.

Any special features in the project area which will result in an unusual facility design or a costly design (e.g., lack of right-of-way, topography) should be described. Applicants should also indicate the sources of cost estimates for each activity.

Any environmental or regulatory constraints which could affect the cost of the project or the implementation schedule should be fully described and contingency plans proposed, where appropriate (e.g., requirements governing floodplains, historic preservation, handicapped access provisions, acquisition, or relocation).

Where appropriate, the Department will seek technical review by appropriate public or private agencies or firms.

#### Preliminary Engineering or Architectural Report

The applicant must provide a copy of a preliminary engineering or architectural report, which includes a description of the improvements necessary to correct the identified deficiencies in the public facility. This report must be sufficiently detailed to describe the scope of the problem to be addressed as well as the components and estimated costs of the proposed improvements or facility. If the applicant is proposing to improve an existing facility, it must include a brief history of the system or facility and an analysis of the system's or facility's present condition and deficiencies.

The preliminary engineering or architectural report must also describe the technical alternatives considered to deal with the identified problem; the design criteria used; the cost projections for each alternative, including an analysis of capital and operating costs; and the rationale for the selection of the proposed alternative.

Preliminary Engineering Reports for water and wastewater (sewer) projects must, at a minimum, address the following:

1. Problem Definition
  - a. Describe need
  - b. Regulatory issues
  - c. Historical record of problems
2. Alternative Analysis
  - a. Description of alternatives considered for problem resolution
  - b. Cost-effective analysis considering capital and operating costs (present worth or similar method)
  - c. Basis of selection, considering financial and environmental impacts.
3. Installation of Water Meters (For drinking water projects only)
  - a. Description of feasibility of installing water meters where appropriate,
  - b. Document savings due to the installation of meters vs. expense of installation and maintenance of meters,
  - c. Recommendation on whether or not to install meters.
4. Description and Justification of Selection Alternative
  - a. Descriptive narrative with drawings or schematics
  - b. Site location and characteristics
  - c. Design Criteria
    - Hydraulic data
    - Population projections
  - d. Impact on existing facilities
  - e. Operational requirements
  - f. Cost summary
    - Capital and operating
    - Cost per user

#### Water Meters

It is the policy of the Montana CDBG Program to encourage the use of water meters wherever appropriate. Because all CDBG grantees are the recipient of limited government financial resources, local government CDBG recipients are expected to

spend project construction funds as prudently as possible. In many cases over the long-term, the installation of water meters, instituting a fair billing system based on actual use, and subsequent maintenance of meters is one of the most prudent and cost-effective management and conservation steps local governments can take.

All local governments requesting CDBG funds for water system improvements must include in the application an analysis of the feasibility of the installation of water meters and conversion to a billing system based upon meters and actual use in all those cases where meters are not currently being utilized. The analysis should include projections of the potential water conservation savings due to meter conversion as well as estimated installation and long-term maintenance and operations costs. Though local governments are not required to convert to a metering system as a precondition of receiving CDBG funds, local governments choosing not to convert to meters are expected to present a sound rationale why conversion is not appropriate or cost-effective over the long-term.

#### New Construction or Rehabilitation of Buildings

If new construction of a building is proposed, the applicant must thoroughly document that no buildings exist within the community which are suitable for purchase and cost-effective modification. This documentation should include an analysis of both the physical and financial feasibility of existing buildings and analysis that the most appropriate and cost-effective alternative is new construction.

If rehabilitation of an existing building is proposed, the applicant must thoroughly document that the proposed improvements are the most reasonable, represent the best long-term solution, and are the most cost-effective to meet clearly defined deficiencies.

In applying the criterion, the Department will consider whether the applicant has thoroughly documented that:

- a. the project thoroughly addresses the problem and provides a reasonably complete and long-term solution in relation to the applicant's financial capacity and available funding sources;
- b. in cases where the proposed project will not completely resolve the community's public facilities need, the project represents a complete and reasonable component of an overall long-term program of scheduled improvements;

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- c. after thoroughly considering all reasonable alternatives, the technical design proposed for the project represents the most efficient, appropriate, and cost-effective option for resolving the local public facility need, considering the size and resources of the community, the complexity of the problems addressed, the cost of the project, and the proposed implementation schedule;
- d. all projected costs and the proposed implementation schedule are clearly reasonable and well-supported; and
- e. where applicable, for projects involving community water system improvements, the conversion to a water metering system has been thoroughly analyzed and the community has decided to install meters; or in those cases where meters are not proposed, analysis clearly demonstrates that the use of meters is not appropriate or cost-effective over the long term.

**Each application will receive points depending upon its overall response to the criterion, in comparison to the other applications submitted:**

<b>BEST</b>	<b>100 points</b>
<b>ABOVE AVERAGE</b>	<b>75 points</b>
<b>AVERAGE</b>	<b>50 points</b>
<b>BELOW AVERAGE</b>	<b>25 points</b>

#### 4. COMMUNITY EFFORTS AND READINESS -- 100 points

This criterion will assess the thoroughness of the applicant's past efforts to resolve the problem with local resources and current efforts to secure alternative or additional funds from all appropriate local, State, and federal public and private sources potentially available to assist in financing the proposed project. The criterion will also consider the applicant's readiness to promptly implement the project if awarded CDBG funds.

In applying the criterion, the Department will consider whether the applicant has thoroughly documented:

- a. substantial past efforts to deal with the public facility problem through a long-term commitment to capital improvement planning and budgeting or by raising taxes, user charges or fee schedules to the maximum reasonable extent, considering local financial constraints;
- b. that reasonable operation and maintenance budgets and practices have been supported by the community over the long-term, including adequate reserves for repair and replacement;
- c. that if there are indications that the problem is not of recent origin or has developed because of past inadequate operation and maintenance practices, the applicant has thoroughly explained the circumstances and described the actions that will be taken in the future to assure that the problem will not reoccur;
- d. that the applicant has made serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate public or private sources, to finance or assist in financing the proposed project, including local financial contributions to proposed activities, such as providing all or a portion of administrative costs or other forms of direct financial or in-kind contribution; and
- e. that non-CDBG funding sources are either firmly committed and the applicant will be ready to proceed with the project immediately following normal grant start-up procedures or all non-CDBG resources will be available for participation in the project within six months of CDBG award by DOC.

Note: In documenting a public commitment, the public agency must specify the amount and use of the funds or resources. Funds or resources committed by a local government must take the form of a resolution by the governing body which specifies the approximate amount of the commitment. Funds or resources from a State or federal agency or private organization must be documented by a letter of commitment from the agency or organization involved. The commitment of funds or resources may be made contingent on CDBG funds being awarded for the proposed project.

**Each application will receive points depending upon its overall response to the criterion, in comparison to the other applications submitted:**

<b>BEST</b>	<b>100 points</b>
<b>ABOVE AVERAGE</b>	<b>75 points</b>
<b>AVERAGE</b>	<b>50 points</b>
<b>BELOW AVERAGE</b>	<b>25 points</b>

## 5. NEED FOR FINANCIAL ASSISTANCE -- 150 points

The "Need For Financial Assistance" criterion will assess the degree to which the applicant has clearly documented that its request for CDBG financial assistance is necessary and reasonable, relative to its financial capability and the amount of CDBG assistance requested per benefiting household, in comparison to other applications.

CDBG funds should be requested only for the difference between the total cost of a project and the amount of funds that an applicant can reasonably provide. Each community is expected to contribute a reasonable share of project costs and to request the least amount of CDBG funds necessary to complete a project. The applicant must substantiate that other private or local, State or federal resources are not available at reasonable cost to address the identified need and must demonstrate that the level of local financial participation in the proposed project is the maximum that it can reasonably be expected to provide.

### Local Match

Applicants must contribute local funds equal to at least 25% of the CDBG funds requested as part of the project budget. For example, if a community intends to request \$200,000 in CDBG funds for assistance in financing engineering and construction costs, it would have to provide a \$50,000 matching contribution.

In cases of extreme financial hardship and where the public's health or safety is affected, applicants may request DOC to waive the 25 percent matching requirement where:

1. indicators of financial capacity clearly indicate that higher local financial participation is not feasible or appropriate, and additional grant assistance is necessary in order to bring residential fees or assessments into conformance with costs for similar public facilities in comparable communities; and
2. a serious deficiency exists in a basic or necessary community facility or service, or the community lacks the facility or service entirely and adverse consequences clearly attributable to the deficiency, such as serious illness, disease outbreak, substantial property loss, or serious environmental pollution have occurred, or are likely to occur.

Definition of "Local Contribution"

For purposes of evaluating this criterion, the local share of the project budget may be provided either by a direct cash contribution or by incurring a loan or issuing bonds to be paid through user charges or property tax assessments. "In-kind" services (such as land, labor or materials), debt incurred prior to grant application, or grants from other sources are not eligible to document the applicant's local share of project costs.

The Department will count documented local government expenditures for preliminary architectural design and engineering as part of the required 25% match. To be counted toward the match, such expenditures must be directly related to the CDBG application and cannot include "in-house" costs. Such expenditures must have been made no later than 24 months from the date of application.

Determining Appropriate Levels Of CDBG Assistance

Recommendations for the amount of each CDBG grant will be based on a comparison of the costs which are borne by residents of comparable communities, served by existing, similar public facilities and the projected costs for the proposed project, with and without CDBG grant assistance. CDBG will endeavor to award the minimum amount of CDBG grant assistance necessary to complete a project and achieve a reasonably affordable cost for affected citizens. DOC staff will prepare a financial assessment to help determine each applicant's relative need for CDBG assistance. The financial assessment will also serve as the basis for DOC's recommendations regarding the amount of financial assistance to be awarded each project.

**Each CDBG applicant must provide a completed copy of the 1995 Montana Community Facilities Financial Information Form to provide a common basis for comparison of the financial situation of all applicants.**

CDBG Grant Ceiling Per Household/Individual

The amount of CDBG grant funds requested per benefited household or individual (per active residential connection in the case of sewer or water projects) for the project area must be reasonable in relation to those requested by other applicants. In no case should the grant request exceed \$10,000 per Low and Moderate Income household or individual to be assisted unless both of the applicable tests below are met:

- a. a serious deficiency exists in a basic or necessary community facility or service or the community lacks the facility or service entirely and adverse

consequences clearly attributable to the deficiency, such as serious illness, disease outbreak, substantial property loss, or serious environmental pollution have occurred, or are likely to occur; and

- b. indicators of financial capacity clearly indicate that higher local financial participation is not feasible or appropriate, and additional grant assistance is necessary in order to bring residential fees or assessments into conformance with costs for similar public facilities in comparable communities.

An applicant for a CDBG grant in excess of \$10,000 per Low and Moderate Income household or individual to be assisted by the project must be able to clearly demonstrate that without additional grant assistance the financial burden on local residents or a private, non-profit organization would be extraordinary and unreasonable.

In applying the "Need for Financial Assistance" criterion, the Department will consider whether:

- a. DOC's comparative analysis of financial indicators for all CDBG applicants demonstrates that the applicant's need for CDBG assistance is greater than other applicants;
- b. DOC's analysis of the proposed project budget, financing strategy, and local financial capability clearly supports the applicant's lack of ability to pay the projected costs without CDBG assistance, and that the applicant's proposed level of local financial participation in the project is the maximum that can reasonably be expected;
- c. The applicant has clearly documented that all avenues to fund the proposed project with local resources have been exhausted and the proposed project could not reasonably be accomplished without CDBG assistance to fill a financial gap;
- d. Low and Moderate Income (LMI) households are concentrated in the project area, or would be principal beneficiaries of the public facility, and the applicant's share of project costs will ultimately be shared by all the taxpayers or ratepayers in the community rather than principally by the LMI beneficiaries of the project; and

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- e. The amount of CDBG funds per household or individual to be assisted does not exceed \$10,000 per LMI household or individual assisted, unless both waiver tests described above have been met.

**Each application will receive points depending upon its overall response to the criterion in comparison to the other applications submitted:**

<b>HIGHEST NEED</b>	<b>150 points</b>
<b>ABOVE AVERAGE</b>	<b>113 points</b>
<b>AVERAGE</b>	<b>75 points</b>
<b>BELOW AVERAGE</b>	<b>38 points</b>

## 6. BENEFIT TO LOW AND MODERATE INCOME -- 150 points

This ranking criterion assesses the extent to which CDBG funds will be used to benefit low and moderate income persons by dividing the total amount of non-administrative CDBG funds proposed to be used to benefit low and moderate income households by the total amount of non-administrative CDBG funds requested by the applicant.

In order for a public facilities project to be funded, it must be determined that it will principally benefit persons of low and moderate income. Project activities must:

- a. be carried out in a neighborhood consisting predominately of persons of low and moderate income and provide services for such persons;
- b. involve facilities designed for use predominately by persons of low and moderate income; or
- c. be limited to paying special assessments levied against properties owned and occupied by persons of low and moderate income, where the CDBG assistance is for a public improvement that provides benefits to all the residents of an area.

Applicants will be assigned three points for each documented percentage of benefit to low and moderate income persons over fifty percent. Fractional percentages will be rounded to the nearest whole number.

Documentation for benefit to low and moderate income must be consistent with the most recent edition of DOC guidelines, Documenting Benefit to Low and Moderate Income Persons, and described on the form provided in those guidelines.

## 7. PROJECT IMPLEMENTATION AND MANAGEMENT -- 75 points

This criterion will assess the soundness and appropriateness of the applicant's plan for assuring proper short-term management of the CDBG project, including financial management of grant funds, compliance with State and federal requirements, and cost-effective and timely start-up and completion of project activities. This criterion will also assess the soundness and appropriateness of the applicant's (or subrecipient entity's) plans for assuring proper operation and long-term management of the public facility to be assisted.

In applying the "Project Management" criterion, the Department will consider whether:

- a. the applicant's plan for assuring proper management of the CDBG project is sound and appropriate, including financial management of grant funds, compliance with State and federal requirements, and cost-effective completion of project activities;
- b. the applicant has demonstrated that the activities are feasible and achievable, taking into consideration the size and resources of the community, the budget, and implementation schedule proposed; and all budget costs and the proposed implementation schedule are clearly reasonable and well supported;
- c. the applicant has demonstrated that either firm commitments exist for any other resources to be involved in the project, or the applicant has demonstrated that the resources will be available within six months of the award of CDBG funds;
- d. in cases where more than a single funding source or organization is involved, the applicant has described how these will be coordinated and directed;
- e. the applicant has addressed environmental concerns and regulatory constraints and there appear to be no major problems, or appropriate responses for identified problems have been described. In addition, the project will avoid adverse impact on the environment, including historic resources, and displacement of individuals which may result from the proposed activities;

- f. the applicant has identified the person or persons who will be responsible for day-to-day project management and financial management, or has identified any services which will need to be contracted for to carry out the project;
- g. the applicant (or subrecipient entity) has incorporated features in the overall project design to assure that sound management concepts are followed for the long-term. For example, when proposing major improvements to a community water system, the applicant will institute water metering to encourage conservation and a more equitable assignment of user costs, or will adapt and implement a well-head protection plan for a new water source;
- h. for applications where facilities or activities are proposed that will remain the responsibility of a nonprofit entity, the proposed project will also be evaluated on the past performance of the organization and the soundness and appropriateness of the entity's plans for assuring proper operation and long-term management of the public facility to be assisted;
- i. in cases where the applicant is a previous grantee under the State CDBG Program, past performance of project management responsibilities will also be considered, including the timeliness of project implementation and closeout;
- j. in cases where direct financial assistance to low and moderate income persons is proposed, the applicant:
  1. has developed a sound and cost-effective targeting mechanism which is appropriate and feasible given the administrative resources of the applicant; and
  2. has provided thorough documentation in support of any claims of benefit to low and moderate income persons; and
  3. can assure completion of the targeting assistance within the term of the project.
- k. if professional services will be necessary for implementation and management of the CDBG project, the applicant will ensure maximum free and open competition in the procurement of those services.

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**Each application will receive points depending upon its overall response to the criterion, in comparison to the other applications submitted:**

<b>BEST</b>	<b>75 points</b>
<b>ABOVE AVERAGE</b>	<b>56 points</b>
<b>AVERAGE</b>	<b>38 points</b>
<b>BELOW AVERAGE</b>	<b>19 points</b>

## VII. PROCEDURES FOR GRANT AWARD

### A. ANNOUNCEMENT OF RANKING RESULTS AND GRANT AWARDS

As soon as possible after the selection of applicants to receive awards is completed, the Director will notify all applicants of the final results in writing. A summary of the final ranking results will be provided to each applicant along with the written findings of the team that reviewed the application.

Funds will be tentatively allocated to the selected applications. The tentative allocation of funds does not imply approval of all activities or costs proposed in the selected application. The proposed project activities and budget may be subject to modification during subsequent contract negotiations between the applicant and the Department. The formal award of funds will be contingent upon the execution of a contract between the applicant and the Department in accordance with all applicable federal and State requirements.

### B. RE-RANKING OF APPLICATIONS

Re-ranking may be considered in the event that an applicant tentatively selected to receive CDBG funds is unable to substantiate information contained in the application which may have been a determining factor in the ranking score received or if an applicant requests modification of any activities proposed in the original applications. (See procedures under Section H, Grant Amendment, Chapter VIII, PROJECT START-UP PROCEDURES.)

### C. APPLICATION REVIEW

DOC CDBG staff will review applications with applicants on request to discuss the evaluation and ranking of their applications.

A file will be maintained for each application, including the written findings of the team that reviewed the application. After grant awards have been announced, the application files will be available for public review upon request in the Department's offices in Helena, Montana.

**D. APPLICANT APPEAL**

Appeals will be granted only on the basis of miscalculation of the arithmetic scores. In the event that the Department determines that a miscalculation of scores occurred and resulted in an application not being selected for funding that otherwise would have been selected, the Department will reserve funds from the fiscal year 1996 CDBG State allocation sufficient to fund that application. Those funds will be made available as soon as is practicable. If any other applicant tentatively selected for fiscal year 1995 funding is unable to fulfill the conditions required to secure a final commitment of funds, the tentative grant commitment to that applicant will be withdrawn and made available to that applicant erroneously scored. The reservation of the 1996 CDBG funds would then be adjusted or canceled, as appropriate.

## **VIII. PROJECT START-UP PROCEDURES**

### **A. AMOUNT OF GRANT AWARD**

Funds will be tentatively awarded to selected applications by DOC. While grant ceilings establish the maximum amounts which may be requested, individual grants will be awarded only in amounts appropriate to the scope of the identified problem, the proposed project activities, and the needs, resources and administrative capacity of the applicant. Tentative amounts greater or less than the amount originally requested may be awarded, at the discretion of the Department. The tentative award of funds does not imply approval of all activities or specific costs proposed in the selected application. The proposed project activities and budget may be subject to modification during subsequent contract negotiations between the applicant and the Department. The Department will not grant additional funds to pay for project costs which exceed the contract grant award.

In the event a project can be completed for less than the grant amount, the difference between actual project costs and the original grant award will be reserved by the Department for unfunded or inadequately funded projects or added to the following fiscal year's CDBG allocation. The Department will amend the grant contract to reflect the reduced costs.

In certain circumstances excess funds may be used for an eligible activity which further enhances the contracted project. Before the Department makes a determination to allow the additional activity, the grantee must demonstrate that the activity will: clearly enhance the overall impact of the original project; provide adequate benefits to low and moderate income persons; be completed in a timely manner; and be able to be completed with the excess funds. The grantee must have also demonstrated satisfactory progress toward completion of the original contracted project activities.

### **B. PROJECT START-UP REQUIREMENTS**

Within four months of the date of the announcement of the tentative grant award by the Montana DOC, each applicant selected for CDBG funding must execute a grant contract with the Department.

Within six months of the date of the announcement of the tentative grant award by the Department, each applicant selected for CDBG funding must:

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- comply with all applicable State and federal requirements for project start-up;
- establish with the Department a mechanism for transfer of CDBG funds to the grantee;
- submit an acceptable management plan and schedule for local CDBG project administration and implementation; and
- fulfill other appropriate contract terms established by the Department.

In the event that these conditions have not been met, the tentative award will be withdrawn and the funds reallocated according to the State CDBG Program project ranking and grant award procedures, unless the tentative grantee can demonstrate the existence of unusual or extenuating circumstances that would justify an extension of time to meet these conditions.

No applicant which has been tentatively selected for CDBG funding may obligate or incur costs for CDBG funds until specifically authorized in writing by the Department. Funds obligated or expenses incurred without proper authorization will be the responsibility of the grantee and cannot be reimbursed by CDBG funds at a later date. Incurring costs includes actions such as hiring staff or entering into a contract for engineering or management services or for acquisition of land.

It will take at least two months before any funds will actually be received. This delay occurs because several activities must take place in the interim. For example, the contract between the grantee and Department must be prepared, the grantee must conduct a review of environmental factors, and all the details for assuring proper management of the project and the federal funds must be finalized.

## C. GRANT CONTRACT

After an application is tentatively selected for funding, a grant contract will be prepared. The grant contract is the legal document which governs the administration of the grant and includes the following items:

- the amount of CDBG funds to be provided;
- a detailed budget for the CDBG funds and any other funds involved in the project;

- the schedule for implementation of project activities and the scope of work to be completed; and
- the general and special terms and conditions associated with the grant.

The application as approved will become part of the grant contract.

No CDBG funds will be released to the grantee until a grant contract is fully executed and all project start-up requirements complied with.

#### **D. COMPLIANCE WITH STATE AND FEDERAL REQUIREMENTS**

It is the responsibility of all CDBG grantees to comply with all applicable federal and State laws, executive orders, and regulations affecting their projects. The Department will conduct training sessions to familiarize local officials of the recipient communities with these requirements. Participation is mandatory.

#### **E. COMMITMENT OF NON-CDBG RESOURCES**

Grantees must have completed, within six months of the date of the announcement of the tentative grant award by DOC, all necessary arrangements to assure that those resources are available for commitment to and participation in the project in order to guarantee timely project completion. Unless the tentative grantee can demonstrate the existence of unusual or extenuating circumstances that would justify an extension of time, the tentative award will be withdrawn and the funds reallocated. The Department encourages applicants to secure firm commitments from all non-CDBG funding sources prior to submission of their CDBG application.

No CDBG funds will be released to the grantee until firm commitments are available for all non-CDBG resources to be involved in a project. No CDBG funds, other than for administrative purposes, may be obligated or incurred until this condition is released by the Department.

#### **F. PROJECT MONITORING**

During the course of the local CDBG project, the Department will monitor each grantee through periodic on-site visits and written progress reports, so that any problems which might occur may be resolved as soon as possible. It is the Department's goal

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to assist and support grantees in complying with applicable State and federal requirements and in implementing their project activities.

Grantees will be required to maintain complete financial and program files, and to comply with program reporting requirements. Representatives of the Department must be provided reasonable access to all books, accounts, records, reports and files pertaining to CDBG funded activities. Grantees must also provide citizens with reasonable access to records regarding the use of CDBG funds.

#### **G. TIMELY PROJECT COMPLETION**

The grant requested, either by itself or in combination with other previously identified funding sources, must be sufficient to complete the proposed activities within the contract period. The contract period is normally 24 months from the date of the announcement of the tentative grant award by the Department. The Department will consider each project separately during grant contract negotiations in order to establish a reasonable and realistic date for project completion.

DOC reserves the right to withdraw a commitment for any CDBG funds which remain unobligated 24 months after the date of the announcement of the tentative grant award.

#### **H. GRANT AMENDMENT**

All grantees must request prior approval of grant amendments such as those involving new activities or alteration of the existing activities or budget or lengthening of the schedule for project implementation, as proposed in the grant application and/or negotiated in the grant contract. Before the Department makes a determination to allow the amendment, the grantee must clearly demonstrate that the modification is justified and will enhance the overall impact of the original project. The Department will consider each request to determine whether the modification is substantial enough to necessitate reevaluating the project's original ranking. If warranted the Department will analyze the proposed modification and its impact on the scores originally assigned the application.

If re-ranked, in order to be approved, the proposed amendment must rank equal to or greater than the lowest numerical score received by a funded project.

The Department will require that a public hearing with reasonable notice be conducted by the grantee if the proposed amendment is determined to be a substantial change in project activities proposed in the original application for CDBG funds.

Substantial changes in project activities may also obligate the grant recipient to publish legal notices and to conduct additional environmental analysis in order to comply with federal environmental regulations.



MONTANA

COMMUNITY DEVELOPMENT  
BLOCK GRANT PROGRAM

1995  
MONTANA

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

APPLICATION GUIDELINES FOR ECONOMIC DEVELOPMENT PROJECTS

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## ECONOMIC DEVELOPMENT PROJECTS

### I. INTRODUCTION

The economic development category of Montana's Community Development Block Grant (CDBG) Program is designed to stimulate economic development activity by assisting the private sector, in order to create or retain jobs for low and moderate income persons. CDBG funds, which are received annually from the U.S. Department of Housing and Urban Development (HUD), are intended to be used in situations where a funding gap exists and alternative sources of public and private financing are not adequate. These funds are intended to complement conventional business financing techniques and those of other federal programs such as the Economic Development Administration and Small Business Administration. The program is also designed to complement the Department of Commerce programs for business assistance such as those administered by the Economic Development Division, the Montana Board of Investments, and the Montana Science and Technology Alliance.

### A. ELIGIBLE ACTIVITIES

The Montana CDBG program has limited financial resources and, as such, places highest priority on projects which will have the greatest potential for creating long-term employment opportunities for low and moderate income Montanans and for providing other long-term economic benefits to Montana's communities.

Frequently, an important consideration for local governments considering a CDBG application for economic development is whether they would be assisting a business that would be in direct or indirect competition with other local businesses. Retail and service businesses have the greatest potential of creating local conflict over the provision of assistance to competitors. The purpose of the CDBG program is to create jobs, but not if assistance will result in other jobs being lost in a community or region. The decision to submit an application in this situation is principally a local one. The Department will

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consider local comments in the hearings, particularly in regard to concerns expressed by local business interests.

The CDBG funds cannot be used as a direct financial incentive to relocate a business from one Montana community to another. The Department will consider situations on a case by case basis where businesses have made prior commitments to move their facility or operations three months prior to submittal of the CDBG application. All relevant factors, such as written agreements, will be reviewed to determine if any extenuating circumstances exist to support the need for new operations at a different location.

The CDBG economic development program is designed to assist businesses by making appropriate long-term, fixed-rate financing available to them at reasonable interest rates, and by providing public improvements in support of economic development activities.

Typical eligible activities that fall within the CDBG economic development category include: land acquisition; public facilities and other improvements in support of economic development, such as water and sewer lines, and access roads; loans for acquisition, construction, rehabilitation, or installation of commercial and industrial buildings, facilities, equipment, or working capital; employee training; and grants or loans from communities to nonprofit entities.

## B. INELIGIBLE ACTIVITIES

The following activities are considered by HUD to provide insufficient public benefit and may not under any circumstances be assisted with CDBG funds. The activity may not consist of or include any of the following:

- 1) General promotion of the community as a whole.
- 2) Assistance to professional sports teams.
- 3) Assistance to privately-owned recreational facilities that serve a predominantly higher-income clientele, where the recreational benefit to users or members clearly outweighs employment or other benefits to LMI persons.
- 4) Acquisition of land for which the specific proposed use has not yet been identified.

## C. ELIGIBLE APPLICANTS

Eligible applicants are limited to general purpose local governments: counties, incorporated cities and towns, and consolidated city-county governments. Among municipalities, only Billings and Great Falls are ineligible to apply to the State CDBG Program because they receive CDBG funds from a separate HUD allocation for communities with populations over 50,000. Montana's Indian tribes also receive CDBG funds from a separate HUD CDBG program and are not eligible to apply to the State program. Likewise, properties located on land owned by Indian tribes are not eligible for improvement under the state program.

Businesses are not eligible to apply directly to the Department. Special purpose agencies such as local development corporations are also not eligible to apply directly; however, they may be involved in implementing and administering a program by interlocal agreement, if the eligible applicant agrees to such an arrangement.

Local governments that are currently administering one or more CDBG projects will not be eligible to reapply unless: (1) the current CDBG project(s) is/are being managed in an acceptable manner consistent with the implementation schedule contained in its CDBG contract with the Department and (2) the project management plan submitted with the new application is considered acceptable to the Department.

For the purposes of this requirement, consolidated city-county governments will be considered as two separate jurisdictions; one, the city jurisdiction and two, the unincorporated jurisdiction of the county. For application purposes, the jurisdiction of each will be defined by the city and county boundaries as delineated on the date of consolidation.

### 1. County Applications

For projects proposed within the unincorporated jurisdiction of a county, the county governing body is the eligible applicant. A county may apply for a project which will include activities within the jurisdiction of an incorporated city or town if the proposed activity is intended to serve all county residents,

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including those located in the unincorporated jurisdiction of the county. Federal requirements prevent the State CDBG Program from granting funds to Yellowstone County and Cascade County for projects located within Billings and Great Falls city boundaries.

In order to improve cost-effectiveness for project administration, a county may apply for a grant for a project which would address the same economic development need in two or more separate unincorporated communities as long as the grant request is under the established ceiling. If considering such a project, the applicant county would want to be sure that the involved communities have an equally high level of need and that the proposed response is equally appropriate and would achieve comparable impact on the needs of each of the communities.

### **2. Municipal Applications**

For economic development projects proposed to serve residents within the jurisdiction of an incorporated city or town, the city or town governing body is the eligible applicant. A municipality may apply for a project which would include an activity to be located outside city limits if the proposed activity will principally benefit residents within the city's jurisdiction.

### **3. Joint Applications**

In situations where two or more eligible local governments face a common community development problem, a joint application may be submitted under the following conditions:

- a. The problem to be addressed lies in an area of contiguous jurisdictions.
- b. The solution to the common problem clearly requires cooperative action and is the most efficient strategy.
- c. The local governments involved have contacted the Department of Commerce and received prior approval of such an arrangement before submission of an application. Requests for approval must be submitted at least 30 days prior to the submittal date for the application.

The eligible local governments involved must each meet the requirements for all applicants. One local government must be designated as the lead applicant and accept full responsibility for application submission, grant administration and financial management, should the full application be awarded funds.

All joint applications must contain a draft interlocal agreement, in accordance with the Montana Interlocal Cooperation Act (Sections 7-11-101 through 108, MCA), which identifies the responsibilities and obligations of the cooperating local governments, including long-term operation and maintenance, if applicable.

## II. DISTRIBUTION OF FUNDS AND GRANT CEILING

Applications prepared in response to these guidelines for economic development projects will be accepted on an open-cycle basis, after the Department receives HUD's notification of funding, until all available funds set aside for the FY 1995 CDBG economic development category are committed to approved projects. A total of \$2,784,193 will be available for the 1995 CDBG economic development program. This amount represents 1/3 of the total amount of CDBG funds available for award for the Montana CDBG program. The ceiling for each economic development grant request is \$500,000. Although there is no minimum grant request, the Department does not encourage applications requesting less than \$100,000 in CDBG funds, including administrative costs. Administrative costs for grantees and the state are generally not proportionate to the total grant amount requested and, therefore, can be very excessive for projects of less than \$100,000. All administrative functions must be performed for all grants, regardless of size. Grants of less than \$100,000 may require that the applicant pay for some administration costs with local funds. Applicants should consult the Department when considering administration costs. The level of difficulty in managing CDBG projects varies considerably depending on the type of project and requirements that are triggered for each.

Local governments may apply more than once in a fiscal year for economic development and may be eligible to receive up to a maximum of \$500,000 in a program year for economic development projects. In addition, all eligible applicants may also apply for

either a public facility or a housing project in the spring and fall CDBG competitions, even if they have already received the \$500,000 limit for economic development projects.

### **III. APPLICATION PROCEDURES**

An application must be submitted to the Economic Development Division of the Department of Commerce (see address on Introduction page) using the form in Appendix A and all other appropriate documentation to fully respond to these application guidelines. The application will be reviewed as soon as possible by the Department. If the application is complete, all minimum thresholds appear to have the potential to be met, and the initial financial review indicates that the project may have the potential to be financially feasible and is properly structured, CDBG staff will commence a full review of the project and prepare a report for the loan review committee, generally within 30 days. If the application is considered incomplete, the Department will explain in writing the items needed to complete the application and why.

After HUD's funding allocation notice has been received by DOC, applications will be reviewed and analyzed by staff on a "first come, first served" basis, as determined by the date the full application is found to be complete by the Department. CDBG staff will work closely with applicants during the review process to negotiate any changes and resolve issues identified during the review. Staff will always consult the contacts from the business and the applicant community before an application is accepted as complete and the staff report is submitted to the loan review committee. Applications may be modified during the review in order to strengthen the project, especially the financial structure.

#### **1. Order of Precedence for Loan Committee Review and Funding**

Applications which are received and accepted as complete, and which have received staff analysis and recommendation, will be submitted to the loan review committee at the earliest available time after the financial analysis is finished.

Applications will be reviewed by the loan review committee, and will be funded, if approved by the committee and the Director, in

the order in which they are submitted to the loan review committee. However, when more than one application is submitted to the committee in the same loan review cycle, they will be considered to be submitted simultaneously and will be reviewed and/or funded in the order of the dates on which the applications were accepted as complete.

The committee will make a recommendation to the Director, who will make the final decision on project awards. In the event that the Director revises the recommendation by the loan review committee, the Director will prepare a written finding, consistent with the criteria established in these application guidelines, describing the rationale upon which the alternative decision was made. Applicants should also be aware that in most cases it may take four to six weeks before any funds will actually be received after the decision to award a grant has been made. This delay occurs because several activities must take place in the interim. For example, the contract between the grantee and Department must be prepared, the grantee must conduct a review of environmental factors, and all the details for assuring proper management of the project and the expenditures of federal funds must be finalized.

## **2. Applications for Assistance to For-profit Businesses and Nonprofit Entities**

Applicants should use the application summary found in Appendix A and attach all required information. The for-profit business or nonprofit entity should complete the Business Application Requirements section of the guidelines and the local government will be responsible for the Local Government Application Requirements.

## **3. Public Improvement Projects**

Applications that propose public improvements as assistance to businesses will be accepted by the Department and reviewed with similar procedures as loans to for-profit businesses. The application must include a complete business plan and financial package for each business assisted. The procedures for determining whether a project meets the HUD "necessary or appropriate" guidelines for provision of assistance to a for-profit entity must be followed. A "financing gap" must be

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identified and documented in the financial package submitted with the application. The application must demonstrate that the provision of public improvements is "necessary or appropriate" and that other funds, including private funds from the business, are insufficient to complete the project without CDBG participation.

The application must meet the same threshold requirements, demonstrate viability, include a hiring and training plan for each business assisted, and meet all other appropriate requirements contained in these guidelines.

**Federal regulations require that all businesses that receive assistance from the public improvement project must be tracked by the local government for a three year period.** All jobs created from all businesses assisted must be counted towards the 51% benefit to low and moderate income threshold. An assessment of current businesses and prospective businesses that will benefit from the project must be conducted by the local government before the application is submitted. Contracts for public improvement projects will be for at least a three year period.

## IV. BUSINESS APPLICATION REQUIREMENTS

### A. BUSINESS PLAN

NOTE: All business plan information and financial exhibits will be considered confidential, for evaluation purposes only, and will not, except as required by law, be provided to any third person, firm, corporation or public entity without the express written consent of the business.

Each applicant must submit a business plan for each business or entity to receive direct assistance, whether for-profit or nonprofit. Each business plan must contain sufficient information for the Department to obtain an adequate understanding of the business to be assisted, including the products or services offered, estimated market potential, management experience of principals, current financial posture, and details of the proposed venture. The business plan components contained in this section are required for CDBG economic development applications involving loans, grants, or public

improvements directly assisting for-profit or non-profit entities.

The Montana CDBG Program has developed a brief Business Plan Outline which may be helpful in developing a business plan for the application. The Business Plan Outline is available from the DOC, Economic Development Division upon request.

Applications involving more than one business will require a longer review period. Each business included in an application will be evaluated and rated separately. An application will be more likely to be funded if all businesses proposed are financially strong individually. An otherwise strong application on behalf of more than one business may not be fundable, if a weaker business is included.

The business plan must include the following elements and must provide sufficient detail for adequate analysis:

**1. Business Description**

Include a description of the company or enterprise and an explanation of the products or services offered.

**2. Management**

Provide the names, titles, and resumes of each of the principals to be responsible for the management of the business.

**3. Market**

Discuss the present or proposed market area and share, as well as future projections, and provide an explanation of how the information was developed (for example, market surveys). Document any identified potential markets (for example, contracts, letters, or other evidence of interest in the product(s) by potential buyers or distributors), especially if sales projections show annual increases exceeding 25%.

**4. Sources and Uses of All Funding**

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This section would discuss the source, use, and terms of all funds to be included in the project. Use the form in Appendix A to list the sources and uses of all funding for the project.

No grants can be made to for-profit businesses. A description of all aspects of the proposed assistance (i.e., loan terms, security, etc.), and the rationale for each must be included with the application.

### 5. Financial Exhibits

The business must be able to show that projected cash flow will be sufficient to cover projected debt service and that a positive net worth can be attained. The projections must include a narrative explanation of how the figures and assumptions were derived with special emphasis on any changes in major assumptions from existing conditions (i.e. changes in cost of goods sold and general administrative expenses as a percentage of sales, or if sales increases exceed 25% annually). Special care should be taken to include increased labor costs related to achieving the hiring goals contained in the hiring and training plan.

**The business plan must include the following financial exhibits:**

a. Financial Statements

For existing businesses, provide financial statements for the three most recent years of operation to include the following:

- Balance Sheet;
- Profit and Loss Statement;
- Cash Flow Statement; and
- Reconciliation of Net Worth.

**Current financial statements compiled or reviewed by an independent certified public accountant, with full disclosure notes, are required for businesses that have been in operation for more than one complete business fiscal year.** All financial information must be signed by a responsible officer of the business. Financial statements must also include a current Aging of Accounts Receivable and Payable. There should not be significant time period gaps (more than 90 days) between the historical statements and the projected statements. The CPA

prepared financial statement should not be dated more than 90 days prior to the date the application is submitted. The projections should use the same fiscal year periods as the historical financial statements. Applications that contain appropriate, updated, accurate financial information can be processed significantly more quickly than incomplete applications that require Department requests for additional information.

b. Earnings Projections

Provide the following projections for three years:

- Balance Sheet;
- Profit and Loss Statement; and
- Cash Flow Statement.

Earnings projections must include a projected monthly cash flow analysis for at least one year and until the break even point is projected to be reached by the business. For businesses that experience regular or occasional cyclical variations in cash flow, provide a narrative explanation of the reason(s) for the occurrence of the cycles and the effect, if any, on the businesses' ability to meet its debt obligations identified in the existing and projected debt schedules.

c. Debt Schedule

Provide descriptions of all existing and projected debts and lenders, annual debt service amounts, and any related loan requirements. Financial statements should include current maturities of long term debt and adjusted principal balances. All debt sources must be identified independently and not combined into one long term debt number on the balance sheet. Principal and interest payments for at least three years should be included for all sources.

d. Working Capital Needs

Provide information on working capital needs and verify through cash flow projections, explaining changes in inventory and receivables.

e. Personal Balance Sheets

Provide current personal balance sheets for each individual with 20 percent or more ownership in the proposed project. The Department may require the submittal of personal or corporate income tax returns, if necessary.

f. Personal Credit Check Release

The principal owners of the business, as defined above, must provide a release allowing for a personal credit history check by the Department as part of the application review.

Applicants should include any other information which may be helpful in documenting the economic viability of the project.

**6. Private Sector Commitments**

Applications should be submitted only for those projects that are ready to proceed pending receipt of CDBG funds.

Applicants must provide firm commitment letters from any private sector lenders or investors involved in the project. Such commitments should be binding, contingent only upon receipt of CDBG funds. All terms and conditions that apply to each funding source must be submitted as part of the application.

Applications that include a loan guarantee from the Small Business Administration must include the letter of authorization from the SBA which contains the terms and conditions that apply to the loan. Terms and conditions for proposed debentures must be included. Letters of commitment from firms to be assisted must be submitted with the application and must:

- be on a letterhead of the firm and signed by an official of the firm authorized to commit the organization
- provide a clear statement of the firm's concept of the project (i.e. the location, scope and cost)
- specify the nature of the commitment, (e.g., the amount of private commitment, amount of borrower's commitment, type and size of the project, number of jobs to be created, commitment to hire low and moderate income individuals

-- state a willingness of the firm to sign a legally binding commitment upon grant award and that the firm has reviewed the grant application and has approved its content

Letters of commitment from private financing institutions must specify the amount and type (for example, interim construction financing) of the loan being provided for the specific activity to be undertaken. The commitment should be binding, contingent only upon receipt of CDBG funds.

## 7. Public Sector Commitments

If resources from the public sector or nonprofit entities are to be involved in the proposed economic development project, applicants must provide written evidence of firm commitment of public funds and/or other resources. Such commitments should be binding, contingent only upon receipt of CDBG funds to the project. Evidence should include resolutions passed by the local governing body and/or a letter of commitment from other sources. Projects that include matching funds from the Economic Development Administration for public facilities in support of economic development may be reviewed and approved contingent on EDA approval if necessary to meet EDA requirements.

## V. NECESSARY AND APPROPRIATE DETERMINATION FOR ASSISTANCE TO FOR-PROFIT BUSINESSES

The Federal Housing and Community Development Act requires the Department of Commerce to consider whether CDBG assistance to any for-profit business is appropriate to the project, including the extent of the need for assistance and the amount of assistance to be provided in relation to the public benefit that would result. Applicants must clearly demonstrate the need for CDBG assistance by documenting that a partial financing "gap" exists in funding the proposed project. Applicants must show that all reasonable resources have been considered and are available, appropriate, or sufficient to complete the project financing.

It is important to note that a business does not have to have its loan application repeatedly rejected from a lending institution. The Department encourages projects which can obtain bank financing but may not be able to complete the entire project

financial structure or cannot afford the current interest rate for the entire loan without CDBG assistance. Projects which involve bank loans, and bank loans including Small Business Administration guarantees, have a high likelihood of being funded through the CDBG program.

A "gap" may be documented in several different ways, as described below.

The U.S. Department of Housing and Urban Development (HUD) requires that the applicant follow the steps outlined below in order to document that the proposed level of financial assistance is "necessary and appropriate."

**Step 1 -- Evaluate All Project Costs**

The applicant must verify all project costs and document how they were determined and by whom (land appraisal, engineer or architect prepared estimates, equipment lists and cost schedules, etc.). The applicant must determine the reasonableness and completeness of the cost estimates (such as the inclusion of Davis-Bacon prevailing wage rates, if applicable).

**Step 2 -- Verify and Maximize Private and Other Public Funding Sources**

It is the responsibility of the applicant to verify that all other reasonably available sources of private financing have been maximized for the project proposed. Other private sources such as banks, venture capital companies, or additional private equity should be sought before the project budget is finalized and CDBG funds applied for.

Before submitting a proposal to the applicant community, the business should first request a loan (or loans) from lending institutions for the remaining amount needed for the project after as much new private equity as possible has been committed to the project. If the lender(s) or investor(s) is/are unable or unwilling to make a loan or investment for the amount needed to complete the project, the business and applicant community should approach them with a financing package that includes CDBG funds and request a loan contingent on CDBG funds being received.

**Step 3 -- Make a Determination of Need for CDBG Assistance**

The applicant must demonstrate that the business it is proposing to assist with CDBG funds has a need for the funds. There are several methods of determining the need for CDBG assistance or financing "gap."

**A. Financing Gap**

1. Are the annual earnings of the proposed project sufficient without CDBG assistance to meet the annual debt service requirement of a loan at market rate?
2. Is there insufficient equity to meet collateral and other lending requirements of private lending institutions? Can the firm to be assisted contribute sufficient equity to the project to meet the collateral requirements of the first or the second position lenders?

The application should include letters from the private lending institutions contacted by the business for loans. The letters should document one or more of the following situations:

- the lender will not make any loan to the business;
- the lender can only lend a portion of the total project costs; or
- the lender will only participate if CDBG funds are involved in the project and states that its participation is contingent on CDBG funds.

The amount of the financial gap should be quantified based on the pro forma. For example:

- if a lender can only provide a loan (contingent on CDBG) for a portion of the project costs, and all available private equity is invested into the project, the amount of the financing gap equals the amount remaining in the project that cannot be financed privately; or

-- if a lender agrees to finance the project costs above the amount of private equity invested, but the annual debt service is higher than the projected cash flow from the project, the amount of the financing gap is equal to the amount of CDBG funds needed to lower the debt service so that a reasonable cash flow coverage is achieved and the project's financial feasibility is maintained.

**Step 4 -- Size the CDBG Assistance**

The applicant local government should determine the minimum amount of CDBG financial assistance necessary to stimulate private investment based on the quantified financial gap and ensure that the business is not unduly enriched compared to the public benefits expected to occur as a result of the project.

**VI. THRESHOLD REQUIREMENTS FOR CDBG ECONOMIC DEVELOPMENT PROJECTS**

The following threshold requirements are applicable to full applications for CDBG economic development assistance.

**A. CDBG COST PER JOB FOR LOW AND MODERATE INCOME PERSONS**

The nonadministrative CDBG cost per job to be created or retained for low and moderate income persons must not exceed \$20,000 per job. This is determined by dividing the total number of permanent full-time or full-time equivalent jobs for low and moderate income persons to be directly created or retained by the assisted enterprise into the total amount of the nonadministrative CDBG funds requested.

**B. PERCENT OF JOBS TO BENEFIT LOW AND MODERATE INCOME PERSONS**

In order to be eligible for CDBG assistance, the applicant must demonstrate that a minimum of 51 percent of the jobs to be directly created or retained by an economic development project are held by or will be filled with low and moderate income persons; or will be filled by low and moderate income persons after special training planned as part of the project.

Projects which are determined by the Department to qualify as providing benefits to low and moderate income persons in an area that has a population of at least 51% low and moderate income persons does not have to meet the cost per job or hiring and training requirements. It is strongly recommended that area-wide benefit projects meet these requirements. Applicants must contact the Department for a determination of whether a project qualifies as an area-wide benefit activity.

#### C. DEBT/EQUITY RATIO

Where CDBG funds will be expended to assist a for-profit business, the final debt/equity ratio, calculated from the projected balance sheet after all CDBG financing and all matching and other financing for the project have been received, may be no greater than 5:1. The Debt/Equity Ratio shall be calculated, under Generally Accepted Accounting Principles, according to the following formula:

Debt/Equity Ratio = (Total Liabilities - Officer Subordinated Debt) divided by Total Net Worth - Intangibles\* + Officer Subordinated Debt)

\* "Intangibles" are assets for which no market exists or no market value can be firmly established, such as organizational costs, noncompetitive agreements, and patents (unless a firm cash offer is in hand.)

#### D. MATCHING FUNDS

In preparing its project budget, the applicant is required to identify the sources and uses of funds and the amounts to be contributed by each financial source. To be eligible for consideration, an applicant must assure the participation of at least one, non-CDBG dollar for each dollar of nonadministrative CDBG funds requested (a 1:1 leverage ratio). The non-CDBG funds may come from a variety of sources, such as new investment by a firm to be assisted, bank loans, loans to be repaid to a state or federal loan program, or grants. Applicants should ensure that

documentation committing the non-CDBG dollars states that the commitment is contingent on the receipt of CDBG funds.

Cash expenditures for fixed assets integral to the project, made within 180 days before the date the application is determined to be complete, may be counted for up to 50% of the required match. For businesses which are proposing to locate into Montana, documented fixed assets that are moved into the state that are integral to the project can be counted up to 50% of the required match. In all cases, at least 50% of the required matching funds must be met by new cash in the form of new cash equity or new loans to be made on or after the date of the application acceptance date.

**It is absolutely essential that the applicant and the business do not incur costs or obligate funds, which are intended to be reimbursed with CDBG funds, prior to the date that all contract start-up conditions (including the final execution of the loan agreement) are satisfied by the grantee and approved in writing by the Department of Commerce.**

The following will not be considered as match:

1. existing assets (with the exception of cash expenditures for necessary fixed assets made within 180 days before the application date)
2. in-kind services
3. other costs incurred prior to the application date
4. the refinancing of existing debt
5. projected operating cash flow
6. existing equity
7. existing bank line of credit amounts

note: Increases in lines of credit contingent upon CDBG may be accepted.

#### **E. HIRING AND TRAINING PLAN**

The primary goal of CDBG-funded economic development grants is to increase job opportunities for local residents, particularly persons of low and moderate income.

Applicants must provide a Hiring and Training Plan to ensure preferential recruitment, hiring, and training of local workers, particularly those of low and moderate income. In the event of grant award, the applicant's commitment to the Hiring and Training Plan will be considered binding. A final hiring plan will be incorporated in the grant agreement between the local government and the Department of Commerce.

Hiring goals should be reasonable and justified by the financial statements and projections. Claims for the number of jobs to be created or retained should be realistic and not inflated or overly optimistic.

The assistance agreement between the community and the assisted business will contain conditions regarding the hiring of low and moderate income persons. The assisted business must show substantial compliance with the hiring and training plan and a "good faith" effort towards accomplishing the hiring goals set out in the assistance agreement before the project can be closed out.

**All jobs must be converted into full-time equivalent positions. A full-time equivalent employee is an individual who is employed for 40 hours a week on the average or a combination of individuals whose combined hours of employment equal 40 hours per week.**

If part-time or seasonal employment is proposed, the application must include an estimate of the number of hours to be worked each year for each proposed position. **Only permanent jobs may be counted.** Temporary construction jobs and other temporary and some seasonal jobs may not be counted. Projects involving primarily seasonal jobs are not generally acceptable under federal CDBG requirements. In order to be counted, a seasonal job must be the primary occupation and the principal source of income to the low to moderate income person for the year. This situation is very difficult to document and is not encouraged for CDBG projects.

The base level of employment with a list of all current employees and job titles must be provided with the application in order to determine the actual number of new hires. For existing firms, applicants must provide employment levels for the past year. The

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date for determining the base level of employees will be the application submission date.

Only jobs that are created directly by the assisted business within a 24-month period following grant award will usually be counted towards this requirement. The Department cannot consider indirect employment created through contractual relationships.

Minimum job requirements should not exceed the equivalent of a high school education in order to be counted as a job opening available to be filled by low and moderate income persons. If job qualification requirements exceed the equivalent of a high school education, training can be provided to enable otherwise unqualified persons to qualify for the position. The jobs that are to be created must be physically accessible to the low and moderate income population within a reasonable geographic area.

The family income is considered as of the time the jobs are filled or retained, not after the low and moderate income person is hired. Jobs must be equally available to low and moderate income persons. For new hires, income is determined for the year prior to the date the person is hired.

A "low and moderate income person" is defined as a member of a low and moderate income family. The total income and size of the family, not the individual's income, determines whether an individual is considered to be low and moderate income. "Family" is considered to be husband, wife and dependents, such as the IRS determination for income tax purposes.

For projects involving the retention of jobs, the income levels should be documented for the prior year's income of the family. The verification forms should be completed no more than 30 days prior to submittal of the application. The application must provide clear and objective evidence that, in the absence of the CDBG assistance, the jobs will be lost. The business will have to commit to filling as many new job openings from turnover and job creation as is reasonably possible with low and moderate income persons. The full application must include a complete listing of all existing jobs by title, race, ethnicity, gender and handicapped status. The application must indicate which positions are currently held by low and moderate income persons. The business should provide an estimate of its expected job

turnover rate during the next two years, especially if job turnover will be counted toward the low and moderate income benefit percentage.

Businesses claiming retention of jobs must submit with the full application documentation of the verification of existing employees eligibility to be considered low and moderate income by using the income verification form and job tracking form that will be provided upon request by the Department.

Assistance in the development of a hiring and training plan may be obtained from the local Job Service or the Human Resource Development Council. Other programs such as the Job Training Partnership Act (JTPA) programs should be coordinated with the hiring process wherever possible. HUD will accept persons eligible under JTPA guidelines as low and moderate income persons, except for those eligible under the Dislocated Workers Program.

Grantees must ensure that complete hiring records are maintained by the assisting agency, the assisted business and by the grantee.

Federal regulations and reporting requirements require that racial, ethnic and gender characteristics information be maintained for all job applicants as well as new hires.

Applicants should take into consideration equal opportunity and nondiscrimination laws to ensure that women and minorities are not excluded from participation, denied the benefit of, or subjected to discrimination under any program or activity funded in whole or in part with CDBG funds.

At a minimum the Hiring and Training Plan must include the following:

1. A breakdown of jobs to be created or retained and indicating the percentage of jobs which are full-time, part-time, skilled, semiskilled, or unskilled positions.
2. A discussion of the actions to be taken to ensure that the positions created will be filled by persons of low and moderate income.

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3. A breakdown of jobs to be created indicating the job titles and descriptions and the rates of compensation. For applications proposing positions involving less than full-time employment, an estimate of the number of hours to be worked each week or months to be worked each year for each position must be included.
4. A timetable for creating the jobs, the total number of persons, and number of low and moderate income persons to be hired.
5. An assurance that the business will be in compliance with the equal opportunity and nondiscrimination laws.
6. Procedures for outreach, recruitment, screening, selection, training and placement of workers which will ensure maximum access for local residents, particularly persons of low and moderate income.
7. A description of the training curriculum and resources, if applicable.
8. Written commitments from any agencies or organizations participating in the implementation of the hiring plan.
9. Written commitment from the assisted business to comply with the hiring plan.

## **VII. GENERAL POLICIES ON LOANS TO FOR-PROFIT BUSINESSES**

All loans made to for-profit businesses with CDBG funds are subject to the following guidelines:

### **A. LOAN TERMS**

The terms of the loan should be consistent with the projected use of funds, and individual project needs. For example, terms for financing machinery and equipment should generally be between 5 to 10 years. For buildings and real estate, terms should generally range between 15 to 20 years. Working capital loans should be limited to 7 years. If a deferral of repayments is requested by the applicant and is accepted by the Department, the

term of the loan will include the deferred period. For example, a loan with a ten year term with a one year deferral period has a total term of ten years, not eleven.

#### **B. DEFERRAL OF REPAYMENTS**

Repayments of principal, interest, or both may be partially deferred up to two years. The need for a deferral must be supported by the projected cash flow of the business and the defined financial gap. The Department will require that at least nominal payments be made in each year from the time the loan agreement is executed.

#### **C. LOAN SECURITY**

All loans must be secured with fixed assets (i.e., land, buildings, and capital equipment), personal guarantees, or any other reasonable source of available collateral. CDBG funds may be placed in a subordinated security position to other lenders involved in the project. Applicants must include documentation for the value of collateral offered for security and a description of all security positions held by lenders and any liens which may apply to the collateral (tax liens, mechanics liens, or other liens). The Department will negotiate with the business for the most secure position which is reasonably available, regardless of the proposed use of the CDBG funds (for example, fixed assets may be used to secure working capital loans).

#### **D. INTEREST RATES**

Interest rates for CDBG funded loans to for-profit businesses will generally be 7 percent. Lower interest rates may be considered by the Department of Commerce if it can be conclusively demonstrated that a lower rate is essential to the economic viability of the project. In addition, the Department will provide a discount of one-eighth percent for each permanent full time equivalent job created for low and moderate income persons over a two year period from the date of the grant award. The loan agreement and interest rate can include, at the option of the local government, language to incorporate a job creation discount after the two year period. In no case will the minimum

allowable interest rate, including the job creation interest discount, be less than 4 percent.

#### VIII. FUNDING CRITERIA

The review of the application will be expedited and the application's likelihood of being funded will increase if the applicant community and business have adequately demonstrated that:

1. All thresholds are met or exceeded.
2. A financing gap exists, the applicant has quantified the gap as much as is reasonably possible, and has determined that the project needs CDBG assistance in order to proceed.
3. The level of CDBG assistance is appropriate in relation to the public benefit expected to result from the project.
4. Proposed management is experienced in the type of business activities proposed and has demonstrated the capacity to successfully manage the entity to be assisted demonstrated.
5. The application is complete as submitted, and contains accurate information.
6. The earnings projections submitted with the application are realistic and attainable, are supported by historical trends and industry norms, and indicate that projected cash flow is sufficient to support increased debt.
7. The CDBG funds would be adequately secured with all reasonably available assets and/or personal guarantees.
8. The application documents a sound, well-reasoned proposal with a perceived strong chance for success if CDBG funds are received.
9. The private or public sector lenders involved in the project have provided firm commitment of funds.

10. The project is ready to proceed if notification that a tentative CDBG award is given and implementation will begin immediately.
11. The application conclusively demonstrates that the project will support itself over time, and will not impose a burden on any local government or nonprofit entity participating in the project.

Applications where viability may be questionable, or where the overall business plan or need for CDBG assistance is inadequately documented, may be either restructured, renegotiated or not funded depending on the severity and nature of the problems identified.

## **VIII. LOCAL GOVERNMENT APPLICATION REQUIREMENTS**

### **A. CITIZEN PARTICIPATION AND THE COMMUNITY DEVELOPMENT NEEDS ASSESSMENT**

#### **1. Citizen Participation**

The Community Development Act requires the Department of Commerce to adopt "a detailed Citizen Participation Plan". In order to receive CDBG funds, both the Department and applicants for grants must certify that they are carrying out citizen participation in a manner that complies with this plan.

Applicants must provide citizens, especially low and moderate income residents, an adequate notice and opportunity for meaningful involvement in the planning and development of CDBG applications.

At a minimum, the applicant must hold two public hearings prior to passage of a resolution by the governing body authorizing the submission of the full application. The public hearings may be conducted either as part of a regularly scheduled meeting of the governing body or as a hearing convened especially for CDBG purposes.

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A record of the required hearings must be submitted with the full application for CDBG funds, along with copies of the public notices for the hearings or affidavits of publication for the notices. A verbatim record is not necessary; the names of persons who attended and a summary of comments by local officials and citizens is sufficient.

The purpose of the first public hearing is to inform citizens about the CDBG program, the amount of funds available, how it may be used, the range of activities eligible for funding and other general program requirements, as well as to solicit public comment, particularly from low and moderate income people, on community needs and priorities for economic development, housing and public facilities, including the needs of low and moderate income persons. In considering the needs of low and moderate income persons, the governing body is encouraged to consider the needs of households which may be especially needy, such as those with lower incomes, female heads of households or minority, elderly or disabled members. The first public hearing must be held not more than twelve months prior to the date of the submittal of the application.

For economic development projects, the local government should solicit publicly for prospective businesses which may be interested in applying for a CDBG loan from the State through the local government. The local government should then select the most reasonable and viable proposal(s) for consideration for a application to the Department.

Another purpose of the second public hearing is to give citizens and potential beneficiaries of the proposed project adequate opportunity to review and comment on the community's CDBG application(s), before it is submitted. The issues which should be considered include the proposed project location, activities, and the budget (including the estimated amount proposed to be used for activities that will benefit low and moderate income families).

Frequently, an important consideration for local governments considering a CDBG application for economic development is whether they would be assisting a business that would be in direct or indirect competition with other local businesses.

Formal public notice must be provided before public hearings are held. Notice should also be directed to persons of low and moderate income, those persons who will benefit from or be affected by CDBG activities and/or representatives of low and moderate income persons. Hearings must be held at times and locations convenient to potential and actual beneficiaries and with accommodation for the handicapped. In the case of public hearings where a significant number of non-English speaking residents can be reasonably expected to participate, arrangements must be made to have an interpreter present.

Notice of the public hearings should be published at least once in a newspaper of general circulation in the community at least seven days prior to the hearing. In addition to the published notices, the applicant should make reasonable efforts to inform citizens of the hearings who may be affected by a CDBG project but who might not be reached through formal newspaper notices. Examples of actions applicants may take to ensure citizen participation include meeting with community groups and leaders prior to public hearings, holding informational meetings, distributing notices of public meetings to residents, or posting of notices in ways customary to the community. These efforts should be especially concentrated in any neighborhood which may be affected by a proposed CDBG project. The hearing should be scheduled at times and locations which will encourage broad citizen participation. (Communities without a newspaper may substitute alternatives for notifying the public such as radio announcements, mailed notices, and posters.)

## **2. Community Development Needs Assessment**

The Housing and Community Development Act requires that each CDBG recipient must "identify its community development and housing needs, including the needs of low and moderate income persons, and the activities to be undertaken to meet such needs."

Each applicant must include a brief description of its needs, which, at minimum, summarizes:

1. The process used to identify community development needs and establish priorities and objectives, including efforts to encourage meaningful

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participation of local citizens, particularly those of low and moderate income.

2. The applicant's short-term and long-term community development needs in economic development, housing and neighborhood revitalization, and public facilities, including the needs of low and moderate income persons, and its priorities for responding to the needs.
3. The planned activities to be undertaken to meet the identified needs.
4. The alternative projects considered for CDBG funding and the rationale for selecting the proposed project(s).

The needs assessment process does not have to be conducted annually for applicants re-applying for CDBG funds if a previously prepared needs assessment still accurately reflects existing conditions and community development objectives and meets the requirements set out above. If an existing needs assessment will be used as the basis for reapplication, the applicant should solicit public comments on the previously identified community needs and priorities at one or more of the two public hearings required.

For further information on alternative methods of preparing a needs assessment, applicants can request a copy of the Department's publication, The Community Development Needs Assessment Process.

## B. MANAGEMENT PLAN

As part of its application, each applicant must submit a Management Plan which, at a minimum:

1. addresses the local government's plans for assuring proper management of the CDBG project, including financial management of grant funds, compliance with State and federal requirements, effective and timely start-up and completion of project activities.

2. identifies the person or persons who will be responsible for day-to-day grant management (or position descriptions developed for these persons) and any contracted services to be utilized in carrying out the project.

If a previous or current grantee under the State CDBG Program, performance of project management responsibilities must be acceptable. Local governments that are currently administering CDBG projects will not be eligible for reapplication if:

- the local government is not in compliance with the project implementation schedule contained in its CDBG contract with the Department of Commerce; or
- there are outstanding audit or monitoring findings on a previously funded project, where the grant recipient has not satisfactorily resolved the identified problem.

To be awarded a grant under the CDBG Program, a local government must have the management capacity to undertake and satisfactorily complete the project it is proposing. An applicant is assumed to have the capacity to undertake the proposed project unless available information raises a question concerning an applicant's capacity. If any question arises during the evaluation of the application, the Department of Commerce may request additional information.

If an applicant does not believe that it currently has the capacity to manage a CDBG grant, it may propose to hire administrative staff or arrange for project administration by another local government through an interlocal agreement or by contracting for administrative services with a consultant, after grant award. In all cases, the applying local government assumes direct responsibility for proper financial management of the CDBG funds awarded to it.

#### **C. CERTIFICATIONS FOR APPLICATION**

Each local government applying for CDBG funds and the business to be assisted with CDBG funds must agree to comply with the federal and State requirements set out in Appendix B (the CDBG Certifications for Application) in implementing their proposed

CDBG project, if selected for funding. Very few of the regulations that apply to local governments will actually apply to the business. Some requirements will apply to the business, which should be made aware from the beginning of negotiations which requirements will apply. A copy of the Certifications for Application, signed by the chief elected official or executive officer of the applicant and dated within six months of the date of application, must accompany the full application for CDBG funds. Applying local governments and businesses should carefully review these requirements and consider their potential impact when designing their CDBG project.

The federal requirements address issues such as financial management, labor practices, environmental impacts, civil rights, fair housing, and acquisition of real property and relocation of homeowners. Other State laws and regulations will also apply to the agreement between the local government, the Department and any business or agency which will receive CDBG assistance through a loan or grant.

Chapter 11, "Economic Development", of the Montana CDBG Grant Administration Manual provides additional guidance on the applicability of federal regulations to applicants and to the business proposed to be assisted. Copies are available upon request to the Department of Commerce. These laws can have an affect on the costs and complexity of the project and the schedule for completion.

#### **D. RESOLUTION TO AUTHORIZE APPLICATION**

Each application for CDBG funds must be accompanied by a copy of a resolution or motion duly adopted or passed as an official act by the applicant's governing body within six months of the date of application which:

- authorizes the submission of the application;
- states the applicant's willingness to abide by the federal requirements described in the CDBG Certifications for Application (Appendix B);
- authorizes the applicant's chief elected official to act on its behalf in regard to the application and to provide such additional information as may be required.

The Department of Commerce will assume that the applicant has determined its legal authority under Montana law to apply for the grant and to conduct the activities proposed in the application. The Department may request additional information from the applicant if it is aware of any evidence to the contrary.

#### **E. MAPS**

Each application must include clearly legible maps which illustrate the applicant's political jurisdiction and the proposed project area.

The following subsections discuss federal laws that may affect the business and the total cost and complexity of the project.

#### **F. ENVIRONMENTAL IMPACT**

All CDBG projects are subject to the National Environmental Policy Act and the Montana Environmental Policy Act. Both laws seek to avoid adverse impacts on the environment by mandating careful consideration of the potential impacts on any development assisted with federal funds or approved by a state agency. In addition, CDBG projects are subject to numerous other state and federal environmental laws. Applicants are encouraged to be sensitive to potential environmental impacts while their CDBG projects are first being considered and planned in order to avoid problems which could delay or even prevent a project from being implemented. Contact the Business Development Division for guidance regarding the level of environmental review necessary, the procedures required, and the potential time constraints associated with the process.

#### **G. FEDERAL LABOR STANDARDS**

Federal labor requirements should be given careful consideration when planning CDBG-funded economic development projects. The Federal Contract Work Hours and Safety Standards Act, Copeland "Anti-Kickback" Act, and the Davis-Bacon Act will probably apply to most economic development projects which involve the use of CDBG funds for contracted labor for construction, remodeling, site development, extensive equipment installation or other similar activity for contracts over \$2,000. The Davis-Bacon Act requires the payment of prevailing wage rates (usually comparable

to union scale) on construction paid for in whole or in part with CDBG funds.

Determining the applicability of Davis-Bacon wage rates to an economic development project can be complex. Contact the Department of Commerce Business Development Division during the planning stages for a proposed project for guidance and copies of the applicable wage rates and requirements.

The additional costs associated with Davis-Bacon wage rates, if applicable to a project, must be considered when calculating project costs and when obtaining estimates from potential contractors.

#### **H. PROGRAM INCOME**

"Program income" is any income earned from CDBG supported activities such as repayments of principal and interest from loans for economic development projects.

Under the Federal Housing and Community Development Act, a State may require a local government to return program income to the State to fund additional CDBG activities, except where the local government uses the program income to continue the activity from which such income was derived. The Department's decision to permit the retaining of program income will be determined based on the adequacy of the proposed plan for the use and administration of program income submitted with the application.

If a community which has previously received a CDBG economic development award that has not been closed out and is a recipient of CDBG funds at a later date, unobligated program income from the earlier economic development CDBG project may be required to be expended on activities under the new CDBG project before the community can request funds for its new grant.

The Department will allow local governments to retain program income at the local level if the local government demonstrates that it has, or can quickly develop, the capacity to set up and manage a revolving loan fund for economic development purposes or a program income plan for other CDBG eligible community development activities with the approval of the Department.

The local government must be willing to commit the necessary resources, including financial support, to the proper management of the program income received from CDBG financed loans and other CDBG program income. A program income plan must be approved by the Department prior to the receipt of any program income from the project. If the program income plan and proposed level of support and resources committed to by the applicant community are determined to be inadequate, the Department will recover program income and commit it to the CDBG economic development category.

According to federal regulations, program income never loses its federal identity. When loans are repaid, all HUD Title I requirements, such as environmental review and Davis/Bacon wage rates, must be met in any subsequent re-use of these funds. The only exception is when total program income received per year, per grantee is less than \$25,000.

A detailed source of information regarding program income and property management and disposition requirements is provided by the Department in the CDBG Administration Manual, and the 1995 Program Income/Revolving Loan Fund Manual.

The Department of Commerce received an \$840,000 grant in 1990 from the Economic Development Administration for creation of a revolving loan fund. The EDA grant agreement targets the \$840,000, and \$300,000 of CDBG funds, through the regular CDBG program, the Sudden and Severe Economic Deterioration area of Beaverhead County. Other eligible areas may be approved by modifications of the grant agreement with EDA. All payments from loans made through the EDA/CDBG RLF are required to be made to the State of Montana and cannot be retained by the local government without approval of contract modifications by EDA.

The total loan repayments will be used to capitalize a state EDA/CDBG revolving loan fund. When properly capitalized, the EDA/CDBG revolving loan fund will be available to Long Term Economic Deterioration Areas statewide that are designated by EDA. The Department will adopt guidelines publicly when the second round of EDA/CDBG funding commences in CDBG Program Year 1996.

**NOTE: The Department has no intention to change existing program income policy for the regular program: Local governments that**

can demonstrate the capacity to manage program income will continue to be allowed to receive program income for local projects. The above section only applies to the EDA/CDBG revolving loan fund.

#### **I. PROPERTY MANAGEMENT AND DISPOSITION**

Federal property management requirements apply to real property within the grantee's control which was acquired or improved in whole or in part using CDBG funds in excess of \$25,000. These requirements apply from the date CDBG funds are first spent for the property until five years after closeout of the grant from which the assistance to the property was provided.

#### **J. ACQUISITION**

Federal requirements specify that local governments proposing the public acquisition of real estate or easements as part of a CDBG funded project must formally notify the effected property owner(s), prepare an appraisal to determine fair market value, have the appraisal reviewed, and make a written offer to purchase based upon an amount determined to be "just compensation".

Federal requirements also apply to assisted nonprofit agencies or private for-profit businesses which propose to use CDBG dollars for land acquisition. Local governments or businesses considering acquisition of real property as part of a CDBG project should contact the Department for guidance.

#### **K. STATE COMMUNITY DEVELOPMENT OBJECTIVES**

Under federal law, the Department of Commerce must annually prepare a Performance and Evaluation Report to HUD which must relate each grant recipient's use of CDBG funds to the State's community development objectives. In order for the Department to fulfill this requirement each CDBG applicant must identify the State objective(s) which its proposed project responds to. Appendix C describes the State's objectives for the Montana CDBG Program.

#### **L. PROJECT BUDGET**

Applicants should apply only for the level of funding necessary to carry out the project. Grant requests must be sufficient either by themselves or in combination with other proposed funding sources to complete the proposed activities within the contract period. Each applicant must propose a budget which is sufficient to assure effective administration and timely project completion. A budget form is attached in Appendix A, Sources and Uses Form.

The total budget of any proposed CDBG project should be divided between "activity costs" (such as loan to a for-profit business for equipment, working capital, etc.) and "administrative costs." The administrative budget covers the costs of implementing a local project, including costs involved in preparing the required environmental review; the cost of the local government audit; and other contractual costs for professional services that may be associated with administration of the program.

The budget must be accompanied by a narrative justification for the specific proposed CDBG project activities and related administrative costs, including a breakdown of total project costs which identifies sources and amount of all non-CDBG funds to be used. The cost estimates for each item in the proposed budget must be explained in the narrative. For other sources of funds that are needed to complete the project, the status of these funds and how they will be used with CDBG funds should also be described and documented (land and equipment appraisals, architect's cost estimates, etc.)

Administrative costs must be appropriate and commensurate with the project being undertaken. Any proposed administrative costs must be eligible, fully supported, and explained. In no case may the administrative budget for the grant exceed 10 percent of the total grant requested. Applicants which propose to contract for project management assistance with a consultant or other entity must specifically itemize this amount in the administrative budget and explain it.

**Costs incurred by the grantee or the business prior to award of the grant and release of funds by the Department (such as: fees for preparing the application; a community survey or needs assessment; preparation of the environmental review record if conducted prior to award; or expenses incurred by the business to**

be assisted) are not eligible for reimbursement with CDBG funds in the event of a grant award.

Applicants should be especially careful to see that all potential costs for carrying out the project are identified prior to submitting the application.

The Department recommends that applicants budget up to \$2,000 for project audits. Grantees, depending on the usual audit frequency of the local government, may be audited more than once during the term of the project.

#### **M. REALLOCATION OF UNCOMMITTED FUNDS**

The Federal Housing and Community Development Act requires the State to distribute CDBG funds to local governments "in a timely manner". HUD requires the State to have at least 75% of its total annual grant allocation awarded and under contract within twelve months of the date the allocation was awarded to the State. All remaining funds must be awarded and under contract within fifteen months of the State CDBG award. Therefore, if after ten months from the date of the award of the State's annual CDBG allocation, the Department of Commerce does not have at least 75% of its fiscal year allocation awarded and under contract, the Department Director may, at his discretion, award funds from the Economic Development set-aside to the highest ranked, unfunded applications from the spring and fall housing and the public facilities grant competitions in order to achieve these goals.

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## **EMERGENCY SHELTER GRANT PROGRAM**

The Montana Department of Social and Rehabilitation Services operates the Emergency Shelter Grant Program. This program is designed to improve the quality of existing emergency shelters for the homeless, to make available additional shelters, to meet in the costs of operating shelters and of providing essential social services to homeless individuals to help prevent homelessness. The grants are 100 percent funded by the Housing and Urban Development Departments. According to federal law, 90 percent of funds received must be allocated to the 10 regional Human Resource Development Councils (HRDCs). The grants fund the renovation, rehabilitation, or operating costs of homeless shelters, and the provision of follow and long-term service to help homeless persons escape poverty. Shelters to be assisted and services to be delivered are determined by the HRDCs.

The State of Montana uses a formula allocation for these funds. The allocation is modeled after the Montana statute governing the Community Services Block Grant. That particular citation is as follows:

Montana Code Annotated, Aug. 1993

53-10-502. Allocation of federal Community Services Block Grant funds. The department shall allocate the state's share of the block grant funds as follows:

- (1) The department may retain 5% for administrative costs and 5% for special projects.
- (2) The balance of the block grant funds after any retention pursuant to subsection (1) must be distributed to human resource development councils that are eligible to receive such funding under 53-10-503 as follows:
  - (a) \$500,000, or if the balance of the block grant funds is less than \$500,000, then the entire balance of the block grant funds, must be equally divided among the eligible human resource development councils; and
  - (b) except as provided under 53-10-504(2), the balance of the block grant funds after distribution under subsections (1) and (2)(a) must be divided among eligible human resource development councils as follows:
    - (i) one-half based upon the population residing within the areas of human resource development councils; and
    - (ii) one-half based upon the low-income population, as that population may be determined under the provisions of the block grant, residing within the areas of the human resource development councils.

History: En. Sec. 2, Ch. 237, L. 1983.

## D.2

The amount of funds allocated to each Human Resource Development Council is therefore determined on the basis of poverty and population levels within each HRDC area, relative to the poverty and population levels of the entire state, less SRS administrative expenses. Allocations of FY95 HUD ESG funds, totaling \$287,000, are 264,100 after SRS expenses. These latter funds are distributed and prescribed by the following table:

### 1990 POVERTY CENSUS DATA

AGENCY	1990 POPULATION PERCENT	1990 POVERTY PERCENT	AVERAGE PERCENT	FY 1995 ALLOCATION
Action for Eastern Montana	11.08%	12.37%	11.73%	\$44,574
District 4 HRDC	3.33%	4.24%	3.79%	\$14,402
Opportunities, Inc.	14.13%	14.62%	14.38%	\$54,644
District 6 HRDC	2.77%	3.03%	2.90%	\$11,020
District 7 HRDC	18.00%	15.80%	16.90%	\$64,220
Rocky Mountain Development Council	7.35%	5.25%	6.30%	\$23,940
District 9 HRDC	8.18%	8.53%	8.36%	\$31,768
Northwest Montana Human Resources	13.48%	13.59%	13.54%	\$51,452
District 11 HRDC	13.35%	13.98%	13.67%	\$51,946
District 12 HRDC	8.33%	8.59%	8.46%	\$32,148
<b>TOTAL</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>\$380,000</b>

Each program year, the HRDCs submit general workplans, budgets and reports outlining which of the allowable activities are anticipated to be undertaken, how matching funds will be realized and a certification of local approval verifying that budgets and workplans have been reviewed and approved by a representative of the respective jurisdiction.

The Department of Social and Rehabilitation Services typically executes contracts with all HRDCs within thirty (30) days of HUD approval of this application packet.

Actual project proposals for ESG funds have included the renovation of a building (asbestos removal and lead abatement) in order to use it as a transitional facility. Funds are also used to provide medical services to homeless individuals and families, to pay for hotel/motel rooms for homeless individuals, to pay rent or mortgages for homeless families, and to provide support groups, individual counseling, referral, advocacy and transport to homeless persons. Shelters have used funds to pay rent or mortgages, pay utilities, buy furnishings, and pay for maintenance and operational costs of their facilities. ESGP funds are also used to pay security deposits on rent or utilities (or first month's rent) to enable homeless families to move into their own dwellings. Table D.1, below, provides a sample form, describing the range of eligible activities. Table D.2, on the next page, offers a

succinct review to the funding methods. Often, the local HRDC is able to provide match funding to stretch the funding further.

TABLE D.1

EMERGENCY SHELTER GRANTS PROGRAM (HUD) PROGRAM PROGRESS REPORT			
COUNTY	ADDRESS	CONTACT PERSON & PHONE NUMBER	PLEASE BRIEFLY DESCRIBE HOW ACTIVITY WILL BE ACCOMPLISHED
			<p>1. Renovation, major rehabilitation or conversion of a building(s) for use as emergency shelters for the homeless.</p> <p>2. Provision of essential services to the homeless. (30% funding cap)</p> <p>3. Payment of maintenance, operation including administration, staffing costs at no more than 10% of contract total, rent repair, security, fuels and equipment, insurance, utilities and furnishing of local energy shelters.</p> <p>3. Developing and implementing homeless prevention activities. (30% funding cap)</p>



TABLE D.2

## HRDC DISTRICT

HUD EMERGENCY SHELTER GRANTS PROGRAM  
BUDGET SUMMARY FORM

ELIGIBLE ACTIVITIES		ESGP COST	LOCAL MATCH
#1:	**Renovation, major rehabilitation, or conversion of buildings for use as emergency shelters for the homeless.	\$ _____	\$ _____
#2:	Provision of essential services to the homeless (not to exceed 30% of total budget).	\$ _____	\$ _____
#3:	Payment of maintenance, operation including administration, staffing costs at no more than 10% of contract total, rent, repair, security, fuels and equipment, insurance, utilities and furnishing of local emergency shelters.	\$ _____	\$ _____
#4:	Developing and implementing homeless prevention activities (not to exceed 30% of total budget - separate from Essential Services).	\$ _____	\$ _____
TOTAL ESGP BUDGET:		\$ _____	
TOTAL LOCAL MATCH:		\$ _____	

\* \* Important Note: Before funds can be spent from Eligible Activity #1, you are required to comply with 24 CFR Part 576.52 Environmental Review [and] the Federal Preservation Law. Contact this office for more information.



To Be submitted by the State government  
in accordance with 24 CFR 576.85(a)

STATE GRANTEE  
EMERGENCY SHELTER GRANTS (ESG) PROGRAM  
INTERIM PERFORMANCE REPORT

I \_\_\_\_\_, (name and title) authorized to act on behalf of the State of \_\_\_\_\_, certify that the matching supplemental funds required by the regulations at 24 CFR 576.71 and 576.85(a)(3) as modified by the amendments to §415 (a)(2) and (c)(4) of the Stewart B. McKinney Homeless Assistance Act made by §832(e) of the National Affordable Housing Act of 1990 (Pub. L. 101-625, November 28, 1990) will be provided, and the benefit of the \$100,000 exemption from the matching requirement will be provided to the recipients from the State who are least capable of providing the matching funds. Attached to this certification is a description of the sources and amounts of such supplemental funds.

I further certify that \$ \_\_\_\_\_ (dollar amount) of the State's FY 19\_\_\_\_ ESG grant of \$ \_\_\_\_\_ was obligated on \_\_\_\_\_ (date) as documented on the attached HUD-provided chart.

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(Signature)

(Date)

**STATE GRANTEE  
EMERGENCY SHELTER GRANTS (ESG) PROGRAM  
INTERIM PERFORMANCE REPORT**

\* Write in the name of the unit of local government or if nonprofit organization is the direct recipient provide the name of the unit of local government where the activities are located.

\*\* The National Affordable Housing Act established separate caps for essential services and homeless prevention that must not exceed 30 percent each. A waiver may be granted by HUD of the cap on essential services, but not on homeless prevention. Section 1402(e) of the Housing and Community Development Act of 1992 (Pub. L. 102-550, approved October 28, 1992) amended the statutory limitation on payment of staff salaries. With this change, up to ten (10) percent of a grantee's ESG grant allocation may be spent on staff costs involved with operations related to emergency shelter. Staff costs associated with maintenance or security continue to be eligible and are not counted towards the ten percent cap. Waivers of the statutory caps on amounts for homeless prevention, staff costs for operations, and administration are not permitted.



## VII. CERTIFICATIONS

In accordance with the applicable statutes and the regulations governing the Consolidated Plan, the State certifies that:

**Affirmatively Further Fair Housing --** It will affirmatively further fair housing, which means that it will conduct an analysis to identify impediments to fair housing choice within State, will take appropriate actions to overcome the effects of any impediments identified through the analysis, and will maintain records reflecting the analysis and action this regard.

**Anti-displacement and relocation plan --** It has in effect and is following a residential antidisplacement and relocation assistance plan in connection with any activity assisted with funding under the CDBG or HOME programs.

**Drug Free Workplace --** It will or will continue to provide a drug-free workplace by:

1. Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition;
2. Establishing an ongoing drug-free awareness program to inform employees about
  - (a) The dangers of drug abuse in the workplace;
  - (b) The grantee's policy of maintaining a drug-free workplace;
  - (c) Any available drug counseling, rehabilitation, and employee assistance programs; and
  - (d) The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace;
3. Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph 1;
4. Notifying the employee in the statement required by paragraph 1 that, as a condition of employment under the grant, the employee will -

E.2

- (a) Abide by the terms of the statement; and
- (b) Notify the employer in writing of his or her conviction for a violation of a criminal drug statute occurring in the workplace no later than five calendar days after such conviction;

5. Notifying the agency in writing, within ten calendar days after receiving notice under subparagraph 4(b) from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice, including position title, to every grant officer or other designee on whose grant activity the convicted employee was working, unless the Federal agency has designated a central point for the receipt of such notices. Notice shall include the identification number(s) of each affected grant;
6. Taking one of the following actions, within 30 calendar days of receiving notice under subparagraph 4(b), with respect to any employee who is so convicted -
  - (a) Taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended; or
  - (b) Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency;
7. Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs 1, 2, 3, 4, 5 and 6.
8. Place of Performance (Street address, city, county, state, zip code)  
1424 Ninth Ave, Helena, Lewis and Clark County, MT 59620  
30 N Last Chance Gulch, Helena, Lewis and Clark County, MT 59620

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Check \*\*\* if there are workplaces on file that are not identified here; The certification with regard to the drug-free workplace required by 24 CFR part 24, subpart F.

**Anti-Lobbying -- To the best of the state's knowledge and belief:**

1. No Federal appropriated funds have been paid or will be paid, by or on behalf of it, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement;
2. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, it will complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions; and
3. It will require that the language of paragraph (n) of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly; The state is in compliance with restrictions on lobbying required by 24 CFR part 87, together with disclosure forms, if required by that part.

**Authority of State --** it is authorized under State law and that it possesses the legal authority to carry out the programs for which it is seeking funding, in accordance with applicable HUD regulations.

**Consistency with plan --** that the housing activities to be undertaken with CDBG, HOME and ESG funds are consistent with the strategic plan.

**Acquisition and relocation --** it will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, and implementing regulations at 49 CFR 24.

**Section 3 --** it will comply with section 3 of the Housing and Urban Development Act of 1968, and implementing regulations at 24 CFR 135.

(Originals signed)

Jon Noel              Date  
Director, Department of Commerce  
representing CDBG and HOME programs

(Orginal signed)

Roger La Voie              Date  
Administrator, Family Assistance Division  
Department of Social and Rehabilitation Services  
representing ESG program

## Specific CDBG Certifications

The State certifies that:

**Citizen participation --** it is following a detailed citizen participation plan that satisfies the requirements of 24 CFR 24 CFR § 91.115, and that each unit of general local government that is receiving assistance from the State is following a detailed citizen participation plan that satisfies the requirements of 24 CFR § 570.486.

**Consultation with local governments --**

- (1) It has consulted with affected units of local government in the nonentitlement area of the State in determining the method of distribution of funding;
- (2) It engages or will engage in planning for community development activities;
- (3) It provides or will provide technical assistance to units of general local government in connection with community development programs;
- (4) It will not refuse to distribute funds to any unit of general local government on the basis of the particular eligible activity selected by the unit of general local government to meet its community development needs, except that a State is not prevented from establishing priorities in distributing funding on the basis of the activities selected; and
- (5) Each unit of general local government to be distributed funds will be required to identify its community development and housing needs, including the needs of the low-income and moderate-income families, and the activities to be undertaken to meet these needs.

**Community development plan --** This consolidated plan identifies community development and housing needs and specifies both short-term and long-term community development objectives that have been developed in accordance with the primary objective of the statute authorizing the CDBG program, as described in 24 CFR § 570.2, and requirements of this part and part 24 CFR § 570.

**Use of funds --** It has complied with the following criteria;

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- (1) With respect to activities expected to be assisted with CDBG funds, the action plan has been developed so as to give the maximum feasible priority to activities that will benefit low- and moderate-income families or aid in the prevention or elimination of slums or blight. The plan may also include CDBG-assisted activities that are certified to be designed to meet other community development needs having particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available to meet such needs;
- (2) The aggregate use of CDBG funds, including section 108 guaranteed loans, during a period specified by the State, consisting of \_\_\_\_\_ (a period of one, two, or three specific consecutive program years), shall principally benefit low- and moderate-income families in a manner that ensures that at least 70 percent of the amount is expended for activities that benefit such persons during the designated period (see 24 CFR 570.481 for definition of "CDBG funds"); and
- (3) The State will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108 loan guaranteed funds, by assessing any amount against properties owned and occupied by persons of low- and moderate-income, including any fee charged or assessment made as a condition of obtaining access to such public improvements. However, if CDBG funds are used to pay the proportion of a fee or assessment attributable to the capital costs of public improvements (assisted in part with CDBG funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than with CDBG funds. In addition, with respect to properties owned and occupied by moderate-income (but not low-income) families, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds if the State certifies that it lacks CDBG funds to cover the assessment;

**Compliance with anti-discrimination laws --** the grant will be conducted and administered in conformity with title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d) and the Fair Housing Act (42 U.S.C. 3601-3619) and implementing regulations.

**Excessive force --** It will require units of general local government that receive CDBG funds to certify that they have adopted and are enforcing:

- (1) A policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations; and
- (2) A policy of enforcing applicable State and local laws against physically barring entrance to or exit from a facility or location that is the subject of such non-violent civil rights demonstrations within its jurisdiction.

**Compliance with laws --** It will comply with applicable laws.

(Orginals signed) \_\_\_\_\_  
Jon Noel \_\_\_\_\_ Date

\_\_\_\_\_  
Director, Department of Commerce  
representing CDBG and HOME programs

## Specific ESG Certifications

The State certifies that it will ensure that its State recipients comply with the following criteria:

- (1) In the case of assistance involving major rehabilitation or conversion, it will maintain any building for which assistance is used under the ESG program as a shelter for homeless individuals and families for not less than a 10-year period;
- (2) In the case of assistance involving rehabilitation less than that covered under paragraph (1) of this section, it will maintain any building for which assistance is used under the ESG program as a shelter for homeless individuals and families for not less than a three-year period;
- (3) In the case of assistance involving essential services (including but not limited to employment, health, drug abuse, or education) or maintenance, operation, insurance, utilities and furnishings, it will provide services or shelter to homeless individuals and families for the period during which the ESG assistance is provided, without regard to a particular site or structure as long as the same general population is served;
- (4) Any renovation carried out with ESG assistance shall be sufficient to ensure that the building involved is safe and sanitary;
- (5) It will assist homeless individuals in obtaining appropriate supportive services, including permanent housing, medical and mental health treatment, counseling, supervision, and other services essential for achieving independent living, and other Federal, State, local, and private assistance available for such individuals;
- (6) It will obtain matching amounts required under 24 CFR § 576.71;
- (7) It will develop and implement procedures to ensure the confidentiality of records pertaining to any individual provided family violence prevention or treatment services under any project assisted under the ESG program, including protection against the release of the address or location of any family violence shelter project except with the written authorization of the person responsible for the operation of that shelter; and

- (8) To the maximum extent practicable, it will involve, through employment, volunteer services, or otherwise, homeless individuals and families in constructing, renovating, maintaining, and operating facilities assisted under this program, in providing services assisted under the program, and in providing services for occupants of facilities assisted under the program.
- (9) It is following a current HUD-approved Consolidated Plan

(Originals signed)

Roger La Voie

Date

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Administrator, Family Assistance Division  
Department of Social and Rehabilitation Services  
representing ESG program

### **Specific HOME Certifications**

The State certifies that:

- (1) If it plans to use program funds for tenant-based rental assistance, that rental-based assistance is an essential element of its consolidated plan;
- (2) It is using and will use HOME funds for eligible activities and costs, as described in 24 CFR §§ 92.205 through 92.209 and that it is not using and will not use HOME funds for prohibited activities, as described in 24 CFR § 92.214; and
- (3) Before committing funds to a project, the State or its recipients will evaluate the project in accordance with guidelines that it adopts for this purpose and will not invest any more HOME funds in combination with other federal assistance than is necessary to provide affordable housing.

(Originals signed)

Jon Noel

\_\_\_\_\_

Date

\_\_\_\_\_

Director, Department of Commerce  
representing CDBG and HOME programs

## VII. MONITORING

### MONITORING STANDARDS AND PROCEDURES

#### i. PROJECT ADMINISTRATION

Recipients under Montana's housing assistance programs are responsible for administering their projects in accordance with all applicable federal and state statutory and regulatory requirements. The Department of Commerce has the responsibility of ensuring that grantees carry out their projects in accordance with these requirements. Several key federal requirements pertaining to project monitoring and progress report include:

Section 104(d) of the Federal Housing and Community Development Act and 24 CFR 570.498. The Act and HUD regulations require the submittal of a performance and evaluation report to HUD before October 1, annually, by MDOC. Among other issues, the report must describe the status of all those projects funded through the Montana Community Development Block Grant Program which have not been administratively closed out, include the extent to which each project has benefitted low and moderate income persons.

Section 104(e) of the federal Housing and Community Development Act. The Act requires MDOC to monitor each of the recipients to ensure that the recipient:

- has conducted activities in a timely manner;
- has complied with the provision of the federal Housing and Community Development Act and all other application laws;
- has the continuing capacity to carry out its activities in a timely manner.

24 CFR 570.497. HUD regulations require MDOC to establish record keeping requirements sufficient to demonstrate that Montana's CDBG recipients are administering their projects in compliance with the provisions of the federal Housing and Community Development Act and all other applicable laws.

Office of Management and Budget Circular A-102, Attachment I. The Office of Management and Budget requires MDOC to constantly monitor its recipients "to assure that time schedules are being met, projected work units by time periods are being accomplished, and other performance goals are being achieved."

Project monitoring is the department's primary method for determining whether a project is in compliance with state and federal requirements. It is the department's goal to assist and support grantees in complying with applicable state and federal requirements and in successfully implementing their project activities from start-up through closeout of the project. During the course of the local project, MDOC will monitor each grantee through written progress reports and periodic on-site visits, so that any problems that might occur can be resolved as quickly and as easily as possible.

The federal Housing and Community Development Act, the Cranston-Gonzales National Housing Affordability Act, and HUD guidelines require the MDOC to determine whether its recipients:

- are complying with requirements of the program and other laws and regulations;
- are carrying out their project activities as described in their applications and contracts;
- are carrying out their project activities in a timely manner, in accordance with adopted project implementation schedules;
- are charging costs to the projects that are eligible uses of funds and consistent with the approved project budget; and
- are conducting the program in a manner that minimizes the opportunity for fraud, waste, and mismanagement.

Grantees are required to maintain complete financial and project files, to comply with CDBG reporting requirements, and to make their records available to authorized agents of the state or federal government. Representatives of the department must be provided reasonable access, during normal business hours, to all books, accounts, records, reports, and files pertaining to funded activities. Grantees must also provide all citizens with reasonable access to records regarding the use of the funds.

In addition to reviewing the project progress reports submitted with requests for funds, the MDOC liaison will schedule at least one on-site monitoring visit for each grantee. Most projects are monitored twice: first after start-up, second during actual implementation or construction activities. Monitoring visits usually involve a two-day visit to the community to review records, inspect the community's progress in completing the project activities, and meet with the project manager and local officials. On-site monitoring is a structured review conducted by the MDOC program officer at the locations(s) where project activities are being carried out and/or where project records are maintained. MDOC staff use a formal monitoring guide, with checklists that cover the key requirements discussed herein, as the format for their review of local projects.

Prior to a monitoring visit, the MDOC liaison will contact the project manager concerning the timing and scope of the monitoring visit. Each monitoring visit normally includes an entrance and exit conference. If it is inconvenient for local officials to schedule an entrance conference, the MDOC liaison will ensure that, at a minimum, an exit conference takes place. The entrance conference is designed to outline the scope of the monitoring visit. The exit conference provides an opportunity to meet with local officials and staff to review and discuss any outstanding issues identified during the first visit, both positive and negative. As part of that review, the MDOC liaison will describe his or her tentative conclusions and indicate the level of concern assigned to a particular issue and the reason for the concern. In particular, the MDOC liaison will discuss those issues that he or she intends to address in written monitoring comments. In many cases, by thoroughly discussing a potential problem, MDOC staff are able

to determine that there is a reasonable explanation for a particular circumstance or question. Since the overall goal of the MDOC liaison is to assist grantees in achieving timely and effective grant management, every effort will be made to informally resolve or clarify minor monitoring concerns during the exit conference.

Within 30 days following the monitoring visit, the MDOC liaison will provide written monitoring comments to the grant recipient. Copies of the letter will be sent to both the chief elected official and the project manager. The monitoring letter will contain the following general elements:

- a description of each major area the monitoring visit covered, files review, who conducted the review and the date it occurred;
- a brief description of the statutory or regulatory requirement at issue and an explanation of the documentation examined pertinent to the requirement;
- the conclusion the reviewer has reached; i.e., satisfactory performance, a "concern", a "question of performance," or a "finding"; and
- a statement that describes the basis for the conclusion.

Within the scope of a monitoring review there are potentially three levels that may be assigned to a particular issue, if the grant recipient's performance is considered less than satisfactory:

#### **CONCERN**

When an MDOC liaison raises an issue that does not involve a statutory or regulatory requirement but may involve recommending a management or program improvement, it is considered a "concern". A modification of an administrative procedure or policy is suggested but is not required. No response by local officials is required.

#### **QUESTION OF PERFORMANCE**

If the monitoring review raises a question regarding whether a violation of a statutory or regulatory requirement has occurred, the MDOC liaison will first informally discuss the review results with local officials to determine if a violation has occurred. If a determination cannot be made during the exit conference, the MDOC staff may conclude that there is still a "question of performance," and may request that additional information be provided within a 30-day period in order for the Department to determine whether a violation has, in fact, occurred. A final determination regarding the issue under question will be made within 30 days of the grant recipient's response.

#### **FINDING**

When a monitoring review of a grant recipient's performance reveals a specific, identifiable violation of a statutory or regulatory requirement about which there is no question, the MDOC liaison will make a "finding." A written response regarding the

## E.14

grantee's proposed actions to correct the situation is required within 30 days of the date of the MDOC liaison's monitoring letter.

Three possible corrective actions are allowed: prevent a continuance of the violation; mitigate any adverse effects or consequences of the violation to the extent possible under the circumstances; and prevent a recurrence of the same or a similar violation.

There may be a number of acceptable solutions for resolving a violation. The grantee is allowed to respond to each problem with any reasonable and adequate solution of its choice. The adequacy of a corrective action will be determined by MDOC. At all times, MDOC staff will offer any necessary technical assistance to grantees to avoid or resolve any monitoring findings.

## IX. CITIZEN PARTICIPATION PLAN

### INTRODUCTION

During calendar 1994, the U.S. Department of Housing and Urban Development issued rules relating to the consolidation of several formula grant programs. These are the Community Development Block Grant (CDBG), Home Investment Partnerships (HOME), Emergency Shelter Grant (ESG), and Housing Opportunities for People with AIDS (HOPWA) programs. The first three programs are applicable to Montana. The consolidated plan brings together the planning, application, reporting, and citizen participation components of each of these formula programs. The purpose of this narrative is to present a portion of the consolidated planning process as it relates to citizen participation. More explicitly, the Montana Department of Commerce, Local Government Assistance Division, has prepared the following Citizen Participation Plan. This plan is pursuant to Subpart B of 24 CFR Part 91 Consolidated Submissions for Community Planning and Development Programs; Section 90-1-103, MCA; and under the procedures established by the Montana Administrative Procedures Act, Title 2, Chapter 4, MCA.

The objectives of the plan are to ensure the citizens of Montana, particularly persons of low and moderate income, low income households living in slum and blight areas, units of local government, public housing agencies, and other interested parties are provided the opportunity and encouraged to participate in the planning and preparation of the Housing and Community Development Plan (the HCD Plan or Consolidated Plan, including amendments to the plan and the Annual Performance Report). In doing so, this narrative lays out the general guidelines around which the Consolidated Plan will be developed, sets dates and milestones along which the process will proceed, and outlines methods for citizens to offer the State assistance and guidance in the formulation of the plan.

HUD's formula programs, alone, in concert with one another, and with other HUD-funded programs, have three basic goals pertinent to the consolidated plan: to provide decent housing; to provide a suitable living environment; and to expand economic opportunities. Providing decent housing may involve assisting homeless people to obtain appropriate housing, retaining the affordable housing stock, increasing the availability of permanent affordable housing for low-income households without discrimination, and increasing supportive housing to assist persons with special needs. Providing a suitable living environment means improving the safety and livability of neighborhoods; deconcentrating housing opportunities and revitalizing neighborhoods; restoring and preserving natural and physical features with historic, architectural, and aesthetic value; and conserving energy resources. To expand economic opportunities, the comprehensive approach emphasizes creation of accessible jobs, providing access to credit for community development, and assisting low-income persons to achieve self-sufficiency in federally assisted and public housing.

Within our society, the complexity of development problems has risen significantly. Assessing and solving the difficulties has outgrown what is offered by narrow, functional programs. Montana's priority need problems demand links between human, economic, physical, environmental, and design concerns to build communities of opportunity. In order to gain this comprehension of development's complexities, the consolidated planning process must collect the knowledge that exists in the community, from citizens, local governments, private business, community-based organizations, and universities.

## **THE CONSOLIDATED PLAN**

By combining the planning, application, public involvement, and reporting requirements of the formula grant programs, the Consolidated Plan becomes a holistic visioning process. It promotes a unifying opportunity for units of local government, the State, and others, thus laying the foundation for development of cohesive, attractive, safe, and economically vibrant communities. The focus of this plan is to bring together diverse elements of communities and create a cohesive view of their problems and using that view to fashion a comprehensive approach to community development. The consolidated planning process encourages all citizens, especially low income residents, to take a part in shaping their own future.

The Consolidated Plan will provide details to citizens, public agencies, and other interested parties of the amount of assistance the jurisdiction expects to receive, range of activities that may be undertaken, and the general program activities that will be planned in addressing the priority needs outlined in the plan. The plan also presents details on analysis and evaluation of priority needs statewide, as well as presenting policies related to the provision of affordable housing and community development. The plan also offers certifications stating that statutory guidelines have been followed, such as efforts to minimize the displacement of people and to assist persons who have been displaced.

## **THE PLANNING PROCESS**

The Consolidated Plan is developed through public input solicited at meetings throughout the state. Some occur prior to development of the draft report, thereby collecting distinct issue input and aiding policy formation. Others are to be held after the release of the draft report, allowing interested parties an opportunity to review how the strategy has been designed and is presented. These meetings will be scheduled at times and locations that will encourage broad citizen participation. Occasionally these meetings are held in the evening to encourage the participation of as many groups and individuals as possible. The scheduling caters to citizens and organizations whose primary job may not be directly related to creating such a plan. Evening public participation meetings also are intended to solicit the input of low and moderate income residents who may be unable to attend daytime meetings due to work conflicts. Other

meetings are held during normal business hours. These latter meetings, also open to the public, offer additional opportunities for participation in the development of the Consolidated Plan to units of local government and other representatives of interested parties. When a significant number of non-English speaking residents can reasonably be expected to participate in a public hearing, arrangements will be made to have an interpreter present.

### **PUBLIC INPUT TO THE PLAN**

Several Consolidated Plan development meetings are to be held in the fall of 1994. The first meeting was held on Sept. 20, 1994, at Big Sky, Montana, with the Montana Association of Counties. This was followed by a Oct. 6 meeting in Butte with the Montana League of Cities and Towns. Other meetings have been tentatively planned. In each of these cases, public input on the development of the Consolidated Plan will be taken.

Direct public input to the Consolidated Plan process will be augmented with analysis of available quantitative data, such as surveys; employment and income data; housing, economic, and demographic data from the 1990 Census; agency inventories of public facility needs; and past applications for program funding. The surveys were completed for the FY 1994 Comprehensive Housing Affordability Strategy (CHAS) process. These were the *Survey of Montana's Housing Needs*, the *Montana Housing Opinion Survey*, and the *Montana Housing Survey*. Additional data and analysis of these surveys is being conducted for the Consolidated Plan process. The assessment of homelessness in Montana is further supplemented by additional analysis of a sheltered homeless survey conducted by the Montana Department of Social and Rehabilitation Services in 1992. Also, the SRS is currently implementing a survey of unsheltered homeless persons, typically a difficult population to reach.

After completion of the public input and assessment of more traditional quantitative data, the Draft Consolidated Plan is prepared. The Draft HCD was released a few weeks later, in late November, and made available for public review. At that same time, the FY 1994 Annual Performance Report was released for public review. This document evaluates last year's housing activities. Subsequent public review meetings included this document along with the Consolidated Plan.

### **PUBLIC COMMENT ON THE DRAFT PLAN**

After the draft 1995 Consolidated Plan was released in mid December 1994, the plan was available for public review and comment for at least 30 days, through Jan. 13, 1995. The public was notified of the date the document became available through public notices printed in newspapers of general circulation. The newspaper notices summarized the contents and purpose of the plan and contain a representative list of places where the full document is available, such

as libraries, government offices, and other public places. If affected communities did not have a newspaper, other suitable methods of notification were substituted. The phone number and address of the Local Government Assistance Division, Montana Department of Commerce, will be included in the public notice to assist those persons otherwise unable to locate complete copies of the Consolidated Plan.

Public review meetings on the draft Consolidated Plan were held during the weeks of January 2 and 9 in the following cities:

Missoula	January 05, 1995
Helena	January 10, 1995
Billings	January 12, 1995

Further, five-year historic data on applications submitted and funded for HOME, CDBG, and ESG will also be available for examination by the public from their respective agencies with due notice. Technical assistance will be available to groups representing persons of very low and low income who request such assistance in developing proposals for funding assistance under programs covered by the Consolidated Plan. The level and type of assistance which is appropriate will be determined by MDOC based on ability to provide or arrange for such assistance, the cost of providing assistance, and other relevant factors.

#### **RELEASE OF THE CONSOLIDATED PLAN**

Both written and transcribed summaries of oral comments on the Consolidated Plan, amendments to the plan, and Annual Performance Report are included in the final draft of the documents. This includes those received during public meetings and those written comments received at other times and places. All comments will be incorporated into the text of the final report. The comment summaries will include views not accepted and the reason why.

Citizens, public agencies, and other interested parties were notified of the availability of the Consolidated Plan as adopted, amendments to the plan, and the Annual Performance Report. They were given opportunity to examine the contents of these reports for a period of no fewer than 30 days.

When practicable, written complaints regarding the Consolidated Plan, plan amendments, and Annual Performance Report were responded to within 15 working days. A suitable response to those received by Jan. 13, 1995, was included in the final plan. For those who wish to lodge a complaint about any of the documents, a letter is to be submitted to Ms. Sharon Haugen, HCD Coordinator, Montana Department of Commerce, 1424 Ninth Avenue, Helena, Montana 59620.

## **SUMMARY OF CITIZEN COMMENTS**

The two-phase citizen participation process for the Consolidated Plan is designed to give the public opportunity to have a voice in the ways the HUD programs are administered by the State. The first phase allows opportunity to provide input in the development of the Plan, assessment of housing and other community development needs, and design of the delivery system for incorporated programs. The second phase gathers input on the draft plan itself.

Several Consolidated Plan development meetings were held in the fall of 1994, prior to the development of the draft plan. The first meeting was held September 20, 1994, at Big Sky, Montana, with the Montana Association of Counties, followed by an October 6, 1994 meeting in Butte with the Montana League of Cities and Towns. In each of these cases, public input on the development of the plan was taken. In addition, a public hearing was held in Helena on November 9, 1994, to gather further input on housing and community development needs of the state. No member of the public attended this public hearing.

In November, a survey on CDBG program was distributed to local governments, organizations and individuals across the state, containing questions about community development issues and the delivery of the programs. Due to the short time frame involved, the survey was not designed to be a statistically valid random survey; but to elicit comments from those most directly accessing the program. (A copy of the survey instrument is found in Appendix ). Comments received as a result of the survey are summarized the discussion below.

Three public hearings were held to receive public comment on the draft Consolidated Plan in Missoula, on January 5, 1995; in Helena, on January 10, 1995; and in Billings, on January 12, 1995. Written comments were allowed on the Plan anytime until January 13, 1995. Below is a list of those persons who attended the public hearing by location of the hearing:

### **MISSOULA**

<b>Name</b>	<b>Organization</b>	<b>City</b>
Patty Kent	Western Mt. Mental Health Center	Missoula
Sandra Center	Northwest Human Resources Council	Kalispell
Rand Kennedy	Community Development Management Services	Missoula
Jim Morton	District XI Human Resource Council	Missoula
Kathie O'Brien	City of Missoula	Missoula
Kala Conway	Women's Opportunity and Resource Development, Inc.	Missoula
Ren Essene	Women's Opportunity and Resource Development, Inc.	Missoula
Karen Ward		Missoula

**HELENA**

Wesley Alcorn	Montana Alliance for Mentally Ill	Helena
Jim McIsaac	Bicentennial Apartment	Dillon
Dave Leap	Bicentennial Apartments	Dillon
Joyce Saisbury	Lewis and Clark County	Helena
Tim Burton	Lewis and Clark County	Helena
Sandy Kuebler	Opportunities, Inc.	Great Falls
Rusty Redfield	Dept. Of Corrections and Human Services	Helena

**BILLINGS**

Barb Campbell	Double-Tree, Inc	Bridger
Melissa Scianna	Double-Tree, Inc	Bridger
Tim Starne		Missoula
Russ Brown	CDBG-City of Billings	Billings
Ben Blancher	District VII HRDC	Billings
Marion Dozier	District VII HRDC	Billings
Joan Hendricks	Professional Grants Management	Billings
Debby Hernandez	Montana Trade Authority Yellowstone County	Billings
Casey Joyce	Montana Trade Authority Yellowstone County	Billings
Joe Burst	City of Billings	Billings
Tammy Johnson	City of Billings	Billings
John Walsh	City of Billings	Billings
Beverly Kuntz	FBS Mortgage	Billings
Michael Peaks	Peaks Construction	Billings
Mark Burnts	First Bank Montana	Billings
Lucy Brown	Housing Authority of Billings	Billings

Written comments were received from:

Kala Conway	At-Risk Housing Collaborative	Missoula
Rusty Redfield	Dept. Of Corrections and Human Services	Helena
Patty Kent	Western Mental Health Center	Missoula
Rand Kennedy	Community Development and Management Services	Missoula

Melinda Gopher	Loud Thunder International, Inc	Great Falls
Toni Austad	Council for Concerned Citizens	Great Falls

Following is a summary of oral and written comments received by MDOC on the draft plan broken down into appropriate categories. Minutes for the public hearings and copies of the written comments do not appear in their entirety. All public hearing minutes and written comments are on file in the office of the Consolidated Plan Coordinator, Montana Department of Commerce, 1424 Ninth Avenue, Helena, MT.

### **COMMENTS AND RESPONSES (public hearings and written comments)**

**a. Comment: Support for Recommendations made by the Governor's Housing Task Force.** There were five comments (both oral and written) expressing support for the recommendation of the Housing Task Force to consolidate all housing programs operated by the Department of Commerce. It was stated the consolidation of the programs would assist in delivery of all programs and may result in savings of administrative costs. One person commented that with the cutback of other federal programs, such as those offered by the U.S. Department of Agricultural Rural Economic and Community Development Services Agency (formerly known as Farmer's Home Administration), housing programs administered by the state will become more utilized. One of the participants attending the Helena public hearing inquired how the implementation of the Housing Task Force's recommendation would change the institutional structure as described on p.274 of the draft Consolidated Plan.

***Response:*** *The Montana Department of Commerce is currently evaluating reorganizing all housing programs it currently administers into a new Division of Housing. This evaluation process will be completed by July, 1995 and resulting changes to the institutional structure will be included in the FFY 1996 Consolidated Plan.*

*In December 1994, HUD Secretary Cisneros proposed the consolidation of 60 separate HUD programs into three basic programs or funds:*

- (1) *Housing Certificates for Families and Individuals, which would include all HUD rental assistance programs such as Section 8;*
- (2) *the Affordable Housing fund would consolidate HUD's housing production and rehabilitation grant programs including HOME and Emergency Shelter Grants; and*

(3) the Community Opportunity Fund, which would consolidate HUD's community economic development and infrastructure programs including CDBG.

*The change in the structure of HUD will have an impact on the institutional structure of the State's programs as described on p. 274. Since it is likely that much of this proposed reorganization of HUD programs will require congressional approval, it is hard to determine when and if these changes will be implemented.*

**b. Comment: The need for a joint HOME/CDBG Housing grant application process.** Five persons recommended the State consider developing a consolidated application form for the HOME/CDBG Housing Programs to simplify the application process. It was stated that consolidating the application process would eliminate duplication of ranking and review processes in each program. It was expressed that smaller organizations would benefit from a joint application process since they would not have to bear the costs of doing two different applications. It was also recommended the HOME/CDBG guidelines and application/administration workshops be combined.

*Response: HOME and CDBG staffs will review current application forms and identify areas of duplication and develop a joint application form for FFY 1996 grant competitions. A joint form would incorporate common information needed for both application processes and also include additional information specific to each program's regulatory requirements. The HOME and CDBG staffs will further review their ranking criteria and administrative processes to identify unnecessary duplication, working towards eliminating of duplicative areas by FFY 1996.*

**c. Comment: Identification of housing and supportive service needs for the mentally ill.** Three persons commented that housing and other needs of the mentally ill were not adequately described in the draft Consolidated Plan (page 175-176, Volume 1). The Plan currently describes goals of the Public Mental Health System Plan as they relate to the transition of patients going from a hospital setting to a community setting. The concern expressed was that information in the draft plan would "lead" the reader to conclude that housing needs of the mentally ill will be addressed by continuation of the current group home system. It was stated that needs of the low and very low income mentally ill are similar to housing needs of the low and very low income population in the State as a whole. One written comment indicated there are no formal needs assessments to identify supportive housing needs of the mentally ill. It is estimated there are approximately 6,000 persons in Montana with severe and persistent mental illness. There are 40,000 persons served by the regional mental health centers.

*Response: MDOC will seek more information regarding housing and other supportive service needs of the severe and persistently mentally ill. This information will be incorporated into the FFY 1996 Consolidated Plan.*

**d. Comment: Establishment of a planning or predevelopment fund.** It was recommended a fund be established to provide planning, predevelopment and technical assistance monies, allowing partial payment of costs associated with the preparation of grant applications and for completing feasibility studies for various projects. Establishment of such a fund would supplement the current technical activities of MDOC.

**Response:** *Current technical assistance activities of MDOC are described on p.238 of Volume I of the Consolidated Plan. The CDBG program is considering a proposal to utilize 1 percent of their annual allocation to provide technical assistance grants to local governments and non-profits. The grants would be used for studies, preparation of analyses and data gathering. Possible areas for technical assistance funding are preparation of needs assessment, housing condition surveys, preliminary engineering reports, low and moderate income surveys and preparation of capital improvements programs. Priority will be given to those communities who have never received CDBG funding. The adoption of this proposal would constitute an amendment to the Consolidated Plan, as submitted. A formal public review process would be completed prior to implementation of such a proposal.*

**e. Comment: Expanded role of Public Housing Authorities.** Two comments were received with regard to an expanded role for Public Housing authorities in the Consolidated Plan process and in allowing Public Housing Authorities to be eligible HOME applicants. It was recommended the State make a stronger effort to incorporate the concerns of the housing authorities in non-entitlement communities.

**Response:** *Copies of the Executive Summary of the draft Plan and an invitation to attend the public hearings was extended to all local housing authorities. In addition, individual letters were sent to each Housing Authority to encourage their participation in the development and review process of the Plan.*

*HUD HOME regulations allow Public Housing Authorities as subrecipient applicants under the HOME program. In a subrecipient relationship, it is the State's responsibility to provide direct oversight for the project and therefore the state would have complete responsibility for the project. MDOC has decided not to enter into any subrecipient relationships due to staffing and funding concerns at the state level cutting into local administrative funds. The state also does not want to be in the position of directing resources at the local level.*

**f. Comment: incorporation of special needs of Native Americans in development of the Consolidated Plan and state housing policy.** Two persons submitted written comments concerning the inclusion of the concerns of Native American population in the State into the Consolidated Planning process and the State's housing policies. One letter discussed incorporating cultural needs of the Native American population in the design and delivery of the

State's housing programs, particularly the HOME program. It also expressed need for the formation of a Native American Community Housing Development Organization (CHDO). The other letter stated a need for the State to work with the Indian Nations within its geographical boundaries.

**Response:** *The Consolidated Plan provides a brief analysis of the areas of disproportionate need for Native American households by county on pages 51-55. Of Volume 1. It is the policy of the State to work with special need groups to identify their needs and incorporate those needs into the formation of the guidelines for delivery of housing programs whenever appropriate. In order to accomplish this, these needs must be clearly defined and must not conflict with any appropriate state or federal law. It is the policy of the State to award funds from the CDBG and HOME programs through a competitive grant process. This enables each community to best identify their own individual priority needs and solutions. It is equally important for any special needs group to work within the structure of the local community's planning and needs assessment processes to ensure their needs will be addressed. The process for forming and certifying a Native American CHDO is identical to formation and certification of any other CHDO and staff support is available on the same basis as other perspective CHDOs.*

*Federal rules for the State CDBG program allows only local units of government to apply for funding. Tribal governments receive a separate allocation of CDBG and HOME funds. Both the CDBG and HOME programs have funded projects in communities located within and on the boundaries of the Indian Reservations in Montana and will continue to do so. Historically, the Montana Indian Affairs Coordinator has served on the CHAS steering committee. The state will expand its efforts by including representatives of Tribal governments in mailings concerning the delivery of the programs and the development of the Consolidated Plan.*

**g. Comment: Barriers to affordable housing created by the enforcement of various federal, state and local regulations.** Two persons commented regarding the affect of enforcement of certain regulations on affordable housing in the state. One person discussed the impact the enforcement of lead-based paint, historic preservation, and building codes requirements had on the availability of affordable housing in the state. She stated that costs associated with compliance to these rules makes rehabilitation of many units cost prohibitive. She also discussed the difficulty in obtaining mortgage insurance for the purchase of homes without foundations. One person stated the Davis-Bacon labor standard requirements should be uniformly enforced for every housing project funded by the state, regardless of number of units assisted. This would ensure quality and uniform construction practices throughout the state.

**Response:** *The lead base paint, historic preservation and "foundation requirements" are statutory requirements of the federal government for programs designed to assist low and*

*moderate income households. It is recognized that some costs are associated with these programs, but without changes to federal statutes, the State must enforce these requirements in the delivery of federal programs.*

*Davis-Bacon labor standards requirements are not applicable to every housing project funded with state-administered housing programs. Different federal programs have different threshold requirements that trigger the Davis-Bacon requirements. It is generally not the policy of the state to implement requirements beyond what is required in the various statutes governing each program especially when doing so would raise the cost of construction and would make affordable housing programs more difficult to deliver.*

**h. Comment: Establishing setasides to deliver statewide programs or address the needs of specific special needs groups.** One written comment encouraged the state to analyze which housing services and programs may be more cost effectively developed and administered on a statewide basis, stating this could help to assure that essential housing programs are available throughout the state. Another written comment requested the needs of the very low income households be made the priority for the housing programs of the state.

*Response: A setaside of funds and possibly an increase of state administrative involvement would be necessary to implement delivery of a specific housing service or program on a statewide basis. A similar setaside would have to be established to make a specific special needs group as a priority. It has been the policy of the State to provide the CDBG and HOME grant funds through a competitive grant process. This enables each community to best identify its own individual priority needs, instead of the state establishing priorities on their behalf. Because of this commitment to the competitive grant system, no special setasides are anticipated at this time for the CDBG or HOME funds. The Montana Board of Housing does have programs that it delivers to individuals on a statewide basis.*

**i. Comment: The inclusion of fair housing enforcement organizations in the development of the consolidated plan and the funding of fair housing education and enforcement programs.** One written comment recommended that MDOC consider funding fair housing education and enforcement programs and encouraging the amendment of the state CDBG guidelines to allow for the funding of such programs or to consider other possible funding sources. The written comment also encouraged greater participation of fair housing compliance organizations in the Consolidated Plan development process.

*Response: MDOC provides training to all grantees and monitors all grant projects for compliance with fair housing requirements. At this time no change is being considered in the design of the state CDBG programs to provide separate funding for fair housing education and enforcement. If a technical assistance fund is established, consideration will be given to include*

*fair housing as an eligible activity. Technical assistance currently provided through HUD designated CHDO intermediaries can include providing information on fair housing education and enforcement. The HOME program has no provisions to allow for fair housing and enforcement as a separate program activity; however, costs to provide information services such as affirmative marketing and fair housing information is an eligible administrative cost when associated with a specific project.*

**j. Comment: Distribution of the draft Consolidated Plan.** Two persons commented on the method used to distribute the draft Plan. One copy of the complete draft Plan was sent to each public library in the State and copies of the Executive Summary from the draft Plan were sent to a mailing list of 1,000 including all units of local government, service providers and other interested parties. Some local libraries could not locate the copy that was sent to them or would not allow the draft to be checked out. It was requested that copies of the final plan be made available to everybody.

*Response: Due to the exorbitant cost of sending and mailing two documents over 800 pages in length, MDOC restricted copies of the FFY 95 draft plan to one per each public library. The Executive Summaries were mailed to the 2,000-organization mailing list. MDOC will make copies of the final Consolidated Plan available upon request. Several copies of the FFY 1996 draft Plan and Annual Performance report will be sent to the larger libraries so that one copy may be kept on reserve and other copies may be available for checkout.*

#### **Comments and Responses (CDBG survey)**

In addition to the comments and responses listed above, additional issues were mentioned as responses to the survey sent out to gather input on the CDBG program. The majority of responses to the survey contained comments regarding the simplification of the CDBG housing and public facilities application process and the availability of technical assistance and planning money for projects. The responses to those comments can be found in Responses a., b., and d. above. Below is a summary of those issues raised separately as part of the survey and a response to the comments concerning these issues.

**a. Comment: Consideration to “open window” application concept:** During the last few months, the Department of Commerce has received some suggestions from other funding agencies and organizations that CDBG funds for Housing and Public Facility projects be awarded on an “open window” or “first-come, first-served” system. With this system, grant applications are individually submitted, reviewed and negotiated.

*Response: According to survey responses, most local officials opposed the “open window” approach preferring to maintain the present competitive system where applications are ranked*

*against each other on clearly defined criteria. They supported continuing the current application process that would include an evaluation of the relative need for housing or public facility projects, including the thoroughness of local planning efforts, degree of citizen participation, adequacy of technical design or project strategy, the applicant's financial need, and the degree of benefit to low and moderate income persons.*

*The majority of local officials who commented felt that a competitive process would help assure the limited CDBG funds would go to the communities with the most serious needs and who had the greatest financial need. They believed that a highly visible competition where the ranking results could be compared by applicants and public would also discourage political interference in the grant award process. Small town officials believed that an annual competition would be better for small communities because it would give them more time to prepare an application to compete with larger communities with professional staff.*

**b. Comment: Economic Development funding should be provided directly to local development corporations.** Economic Development Districts should be supported fully by all state agencies, the Governor's Office and the Legislature. Economic organizations having professional capabilities should be supplemented with state grant funds.

*Response: Direct CDBG assistance to local development organizations would require considerable red tape, such as documenting benefit to low and moderate income persons. Other state or federal funding sources might better serve this need with lower delivery costs. The CDBG program was never intended for long-term support of these activities. However, many local development organizations or districts already receive CDBG funds through local grant administration contracts with assisted grantees. Administrative funds, which include capacity building, are also available to development organizations through contracts for management of CDBG program income received from repayment of CDBG loans.*

**c. Comment: Move to a competitive grant cycle for CDBG Economic Development funds.** The respondent stated that demand for economic development monies far exceeds the amount available. The respondent further stated that, with an open cycle, it is difficult to "time an economic development application to hit a time when funds are available." Due to the continual uncertainty of the amount and availability of funds, many opportunities were lost. It was stated that perhaps a portion of the economic development allocation could be "set aside" for a competition.

*Response: A competitive grant process was used by the Department of Commerce for economic development project applications from 1982 until 1988. Grant application filing deadlines seldom met the timing needs of the potentially assisted businesses. At the request of businesses and many others, the open cycle was established in 1989 to better serve the need to*

*better time business projects. More importantly, there are insufficient monies to fund all project application that might be submitted during the year.*

**d. Comment. Coordinate the Economic Development component of the CDBG program with other state and federal assistance programs.**

*Response: CDBG economic development projects already coordinate with other state and federal programs. The program is designed to match other sources of funding on a 50/50 basis. The Economic Development portion of the CDBG program is located within the Economic Development Division of the Department of Commerce, which includes the Small Business Development Center and the Microenterprise Program. The staff of the ED program works as a team with Regional Development Officers to coordinate technical assistance to applicant communities and assisted businesses. The Economic Development Division provides on-site technical assistance to communities and businesses by program staff and Regional Development Officers.*

**e. Comment. Shift funding from economic development portion to other CDBG projects (i.e. housing).** It was suggested by some who responded to the survey that the state was in need of more housing and that funding for economic development should be used to provide affordable housing.

*Response: Many respondents to the survey supported using CDBG funds for economic development projects. According to information contained within the Consolidated Plan, the lack of available jobs and declining wages contribute to need for affordable housing. Providing employment opportunities and competitive wages are important to the people of Montana.*

**f. Comment: Only “bankable” projects receive financing from the Economic Development program.** According to one respondent, it appeared that projects need to be completely bankable in order to receive funding through the CDBG Economic Development program. It was that person’s understanding that funds from the program are intended to provide funding for “user friendly” gap financing.

*Response: The CDBG Economic Development program guidelines encourage more traditional financing, such as that provided by a local bank or other private sources for those projects considered “completely bankable.” CDBG Economic Development funds are provided as financing for projects where a “gap financing need” has been identified. Many of the projects which have been financed through funding from this program were unable to get the full amount of financing through a conventional source. CDBG economic development funds are intended to only complement other financing. For-profit assisted projects include bank financing and owner*

*equity. Funds from the CDBG program often assist for-profit businesses with start-up capital and with operating costs.*

## OTHER CITIZEN PARTICIPATION

Additional responsibilities are placed on program applicants and recipients at the local level. Applicants must provide citizens, especially low and moderate income residents, adequate notice and opportunity for meaningful involvement in the planning and development of applications. This will include at least two public hearings: one to complete a needs assessment before preparing the applications; the second before the application is authorized to be submitted. The meetings may be convened specially for that purpose or as part of a regularly scheduled meeting of the governing body. A record of attendees and a summary of comments must be submitted with the application for funding, along with the public notices or affidavits of publication for the notices. Notice of each public hearing must be published at least once in a newspaper of general circulation in the community at least seven days prior to the hearing. For communities with no newspaper, radio announcements, posters, and mailed notices may be considered suitable alternatives.

The first hearing is to be held not more than 12 months prior to the date of application. It is to inform citizens about the program from which funds will be requested, the amount of funds available, how it may be used, the range of eligible activities, and other general program requirements. The first hearing solicits public comment on community needs and priorities, housing and public facilities, and the needs of low and moderate income persons.

The purpose of the second hearing is to give citizens and other interested parties an opportunity to review and comment on the application before it is submitted. It must be held not more than two months prior to the date of application. Issues addressed at the second hearing may include the proposed project location, activities, budget, costs to be imposed on residents as a result of the project, and the plans for minimizing displacement as a result of the activity.

## AMENDING THE CONSOLIDATED PLAN

Possible amendments include changes in use of funds from one eligible activity to another, changes in the method of distribution of such funds, new activities, or alteration of the existing activities or budget. MDOC will make a determination as to whether the change is substantial enough to necessitate issuing an amendment to the plan. If so, then MDOC will conduct a public review process with a minimum of one public input meeting and, following the guidelines set forth above, present the amendment to the public for their review and comment. Other specific issues related to individual program guidelines are to be presented in the respective program application guidelines.

## **ROLE OF THE CONSOLIDATED PLAN**

It is imperative that we understand the role of the Consolidated Plan. Therein lies the guidelines by which the three HUD formula programs will be operated, the general program activities that are to be considered consistent with the plan, and identification of resources to be made available for the plan's anticipated activities.



## X. GLOSSARY OF TERMS

**Abatement** -- Any set of measures designed to permanently eliminate lead-based paint hazards in accordance with standards established by appropriate federal agencies. This may include removal of contaminated paint or dust, replacement of lead-contaminated surfaces or fixtures, the permanent containment or encapsulation of lead-contaminated paint, and the removal or covering of lead-contaminated soil. (Spring Training)

**Affordable Housing (Section 215)** -- The definition varies depending on the type of housing.

- *Rental housing* -- Occupied by a low-income person ( $\leq 80\%$  of MI) and bears the lesser of the Section 8 Existing FMRs and 30 percent of adjusted income of a family whose income equals 65 percent of the MI. (This definition is the same as the HOME program's "High Home Rents.")
- *Homeownership* -- Purchaser must be a low-income, first-time homebuyer, use home as a principle residence, and have a sales prices not exceeding the 203(b) limits. (The definition is the same as that used in the HOME program.)
- *Existing owner rehabilitation* -- Existing owner must be low income, use home as principle residence, value after rehab may not exceed the 203(b) mortgage limits. (The definition is the same as that used in the HOME program.)

**AIDS or Related Diseases** -- The disease of acquired immunodeficiency syndrome or any conditions arising from the etiologic agent for AIDS including infection with the human immunodeficiency virus (HIV).

**Alcohol/Other Drug Abuse (AODA)** -- Excessive and impairing use of alcohol or other drugs, including addiction. AODA is measured by reports of a history of inpatient treatment, current symptomatology, current intake, and any combination of these.

**Assisted Household or Person** -- A household or person is assisted if, during the federal fiscal year, they receive benefits through investment of federal funds or federal funds used with other funds. The definition is specified as:

- *New tenant* -- The household or person takes occupancy of housing newly built, acquired, or rehabilitated, and/or receives rental assistance through new budget authority.
- *Existing tenant* -- The acquisition and/or rehabilitation is completed during the year; a tenant receives rental assistance through new budget authority.
- *Existing homeowner* -- The home's rehabilitation is completed during the year.
- *First-time homebuyer* -- The home is purchased (e.g. loan is closed) during the year.
- *Homeless person* -- The person becomes a transitional or permanent housing occupant during the year.
- *Nonhomeless person with special needs* -- The person is considered assisted only if the provision of supportive services is linked to the acquisition, rehabilitation, or new construction of a housing unit and/or the provision of rental assistance during the year.

Households or persons who will benefit from more than one program activity must be counted only once. To be included in the goals, the housing unit must, at a minimum, satisfy the HUD Section 8 Housing Quality Standards (see 24 CFR section 882.109).

**Census Designated Place** -- Densely settled concentrations of population that are identifiable by name, but are not legally incorporated places. Three population size criteria designate a CDP: 1,000 or more persons if outside the boundaries of an urbanized area (UA); 2,500 or more persons if inside the boundaries of a UA; and 250 or more persons if outside the boundaries of a UA and within the official boundaries of an American Indian reservation.

**Committed** -- Generally means there has been a legally binding commitment of funds to a specific project to undertake specific activities.

**Consistent with the CHAS** -- A determination made by the state that a program application meets the following criteria: the Annual Plan for that fiscal year's funding indicates the state planned to apply for the program or was willing to support an application by another entity for the program; the location of activities is consistent with the geographic areas specified in the plan; and the activities benefit a category of residents for which the state's five-year strategy shows a priority.

**Cost Burden > 30 percent** -- The extent to which gross housing costs, including utility costs, exceed 30 percent of gross income, based on data published by the U.S. Census Bureau.

**Cost Burden > 50 percent (Severe Cost Burden)** -- The extent to which gross housing costs, including utility costs, exceed 50 percent of gross income, based on data published by the U.S. Census Bureau.

**Developmentally Disabled** -- Persons scoring at least two standard deviations below the mean on standardized intelligence tests are defined as developmentally disabled. (mean IQ = 70)

**Disabled Household** -- A household composed of one or more persons at least one of whom is an adult (a person of at least 18 years of age) who has a disability. A person shall be considered to have a disability if the person is determined to have a physical, mental, or emotional impairment that: (1) is expected to be of long-continued and indefinite duration, (2) substantially impedes his or her ability to live independently, and (3) is of such a nature that the ability could be improved by more suitable housing conditions. A person shall also be considered to have a disability if he or she has a developmental disability as defined in the Developmental Disabilities Assistance and Bill of Rights Act (42 U.S.C. 6001-6006). The term also includes the surviving member or members of any household described in the first sentence of this paragraph who were living in an assisted unit with the deceased member of the household at the time of his or her death.

**Economic Independence and Self-Sufficiency Programs** -- Programs undertaken by Public Housing Agencies (PHAs) to promote economic independence and self-sufficiency for participating families. Such programs may include Project Self-Sufficiency and Operation Bootstrap programs that originated under earlier Section 8 rental certificate and rental voucher initiatives, as well as the Family Self-Sufficiency program. In addition, PHAs may operate locally developed programs or conduct a variety of special projects designed to promote economic independence and self sufficiency.

**Elderly Household** -- For HUD rental programs, a one- or two-person household in which the head of the household or spouse is at least 62 years of age.

**Elderly Person** -- A person who is at least 62 years of age.

**Existing Homeowner** -- An owner-occupant of residential property who holds legal title to the property and who uses the property as his/her principal residence.

**Fair Housing Choice** -- the ability of persons, regardless of race, color, religion, sex, handicap, familial status or national origin, of similar income levels to have available to them the same housing choices.

**Family** -- See definition in 24 CFR 812.2 (The National Affordable Housing Act definition required to be used in the CHAS rule differs from the Census definition). The Bureau of Census defines a family as a householder (head of household) and one or more other persons living in the same household who are related by birth, marriage or adoption. The term "household" is used in combination with the term "related" in the CHAS instructions, such as for Table 2, when compatibility with the census definition of family (for reports and data available from the census based upon that definition) is dictated. See also "Homeless Family."

**Family Self-Sufficiency (FSS) Program** -- A program enacted by Section 554 of the National Affordable Housing Act that directs Public Housing Agencies (PHAs) and Indian Housing Authorities (IHAs) to use Section 8 assistance under the rental certificate and rental voucher programs, together with public and private resources to provide supportive services, to enable participating families to achieve economic independence and self-sufficiency.

**Federal Preference for Admission** -- Preference given to otherwise eligible applicants under HUD's rental assistance programs who, at the time they seek housing assistance, are involuntarily displaced, living in substandard housing, or paying more than 50 percent of family income for rent. See, for example, 24 CFR 882.219.

**First-Time Home Buyer** -- An individual or family who has not owned a home during the three-year period preceding the HUD-assisted purchase of a home that must be used as the principal residence of the home buyer, except that any individual who is a displaced homemaker (as defined in 24 CFR 92) or a single parent (as defined in 24 CFR 92) may not be excluded from consideration as a first-time home buyer on the basis that the individual, while a homemaker or married, owned a home with his or her spouse or resided in a home owned by the spouse.

**FmHA** -- The Farmers Home Administration, now referred to as RECDS, the Rural Economic and Community Development Services Administration.

**For Rent** -- Year-round housing units that are vacant and offered/available for rent. (U.S. census definition)

**For Sale** -- Year-round housing units that are vacant and offered/available for sale only. (U.S. census definition)

**Frail Elderly** -- An elderly person who is unable to perform at least three activities of daily living (i.e., eating, dressing, bathing, grooming, and household management activities). (See 24 CFR 889.105.)

**Group Quarters** -- Facilities providing living quarters that are not classified as housing units. (U.S. census definition). Includes prisons, nursing homes, dormitories, military barracks, and shelters.

**HOME** -- HOME Investment Partnerships Program, authorized by the National Affordable Housing Act, Title II.

**Homeless** -- Persons sleeping in shelters or in places not meant for human habitation.

**Homeless Family** -- Family that includes at least one parent or guardian and one child under the age of 18, a homeless pregnant woman, or a homeless person in the process of securing legal custody of a person under the age of 18 who is living in situations described by terms "sheltered" or "unsheltered."

**Homeless Individual** -- An unaccompanied youth (17 years or younger) or an adult (18 years or older) without children who is living in situations described by terms "sheltered" or "unsheltered."

**Homeless Youth** -- Unaccompanied person 17 years of age or younger who is living in situations described by terms "sheltered" or "unsheltered."

**HOPE 1** -- The HOPE for Public and Indian Housing Homeownership Program, authorized by Title IV, Subtitle A of the National Affordable Housing Act.

**HOPE 2** -- The HOPE for Homeownership of Multifamily Units Program, authorized by Title IV, Subtitle B of the National Affordable Housing Act.

**HOPE 3** -- The HOPE for Homeownership of Single Family Homes Program, authorized by Title IV, Subtitle C of the National Affordable Housing Act.

**Household** -- One or more persons occupying a housing unit (U.S. census definition). See also "Family."

**Housing Problems** -- Households that (1) occupy units meeting the definition of physical defects; (2) meet the definition of overcrowded; and (3) meet the definition of cost burden greater than 30 percent.

**Housing Unit** -- An occupied or vacant house, apartment, or a single room (SRO housing) that is intended as separate living quarters. (U.S. census definition)

**Institutions/Institutional** -- Group quarters for persons under care or custody. (U.S. census definition)

**Large Related** -- A household of five or more persons that includes at least one person related to the householder by blood, marriage or adoption.

**Lead-Based Paint** -- HUD thresholds or action levels for abating lead-based paint are one milligram per square centimeter ( $1 \text{ mg/cm}^2$ ) or 0.5% by weight.

**Lead-Based Paint Hazard** -- Any condition that causes exposure to lead from lead-contaminated dust, lead-contaminated soil, lead-contaminated paint that is deteriorated or present in accessible surfaces, friction surfaces, or impact surfaces that would result in adverse human health effects as established by the appropriate federal agency. Lead-Based Paint Hazard Reduction Act of 1992 definition.

**LIHTC** -- (Federal) Low Income Housing Tax Credit.

**Low Income** -- Households whose incomes do not exceed 80 percent of the median income for the area, as determined by HUD, with adjustments for smaller and larger families. HUD may establish income ceilings higher or lower than 80 percent of the median for the area on the basis of HUD's findings that such variations are necessary because of prevailing levels of construction costs or fair market rents, or unusually high or low family incomes. NOTE: HUD income limits are updated annually and are available from local HUD offices. This term corresponds to low- and moderate-income households in the CDBG Program.

**Moderate Income** -- Households whose incomes are between 81 percent and 95 percent of the median income for the area, as determined by HUD, with adjustments for smaller or larger families. HUD may establish income ceilings higher or lower than 95 percent of the median for the area on the basis of HUD's findings that such variations are necessary because of prevailing levels of construction costs or fair market rents, or unusually high or low family incomes. This definition is different from that of the CDBG Program.

**Moderate Physical Problems** -- Plumbing. On at least three occasions during the last 3 months, or while the household was living in the unit if less than 3 months, all the flush toilets were broken down at the same time for 6 hours or more. Heating. Having unvented gas, oil, or kerosene heaters as the primary heating equipment.

**Upkeep.** Having any three of these six upkeep problems: water leaks from the outside, such as from the roof, basement, windows or doors; leaks from inside structure such as pipes or plumbing fixtures; holes in the floors; holes or open cracks in the walls or ceilings; more than 8 inches of peeling paint or broken plaster; or signs of rats or mice in the last 90 days. **Hallways.** Having any three of these four hallway problems: no working light fixtures; loose or missing steps; loose or missing railings; and no elevator. **Kitchen.** Lacking a kitchen sink, refrigerator, or burners inside the structure for the exclusive use of the unit.

**Moderate Rehabilitation** -- Rehabilitation that involves costs that are less than or equal to 75 percent of the value of the building after rehabilitation. (Federal Register, July 20, 1992, pg. 32112, HOPWA)

**Nonelderly Household** -- A household that does not meet the definition of "Elderly Household," defined above.

**Nonhomeless Persons with Special Needs** -- Includes elderly, frail elderly, severe mental illness, developmentally disabled, physically disabled, persons with alcohol/drug addiction, persons with AIDS or related diseases, and families participating in organized programs to achieve economic self-sufficiency.

**Noninstitutional** -- Group quarters for persons not under care or custody. (U.S. census definition used)

**Occupied Housing Unit** -- A housing unit that is the usual place of residence of the occupant(s).

**Other Household** -- A household of one or more persons that does not meet the definition of a small related household, large related household, or elderly household.

**Other Income** -- Households whose incomes exceed 80 percent of the median income for the area, as determined by the secretary of HUD, with adjustments for smaller and larger families.

**Other Low-Income** -- Households whose incomes are between 51 percent and 80 percent of the median income for the area, as determined by HUD, with adjustments for smaller and larger families. HUD may establish income ceilings higher or lower than 80 percent of the median for the area on the basis of HUD's findings that such variations are necessary because of prevailing levels of construction costs or fair market rents, or unusually high or low family incomes. This term corresponds to moderate-income in the CDBG Program.

**Other Vacant** -- Vacant year-round housing units that are not for rent or for sale, including units awaiting occupancy or held.

**Overcrowded** -- A housing unit containing more than one person per room. (U.S. census definition)

**Owner** -- A household that owns the housing unit it occupies. (U.S. census definition)

**Physical Defects** -- A housing unit lacking complete kitchen or bathroom. (U.S. census definition)

**Physically Disabled** -- Persons with an illness or impairment that impedes his/her ability to function independently.

**Primary Housing Activity** -- A means of providing or producing affordable housing -- such as rental assistance, production, rehabilitation or acquisition -- that will be allocated significant resources and/or pursued intensively for addressing a particular housing need. See also "Secondary Housing Activity."

**Project-Based (Rental) Assistance** -- Rental assistance provided for a project, not for a specific tenant. Tenants receiving project-based rental assistance give up the right to that assistance upon moving from the project.

**Public Housing CIAP** -- Public Housing Comprehensive Improvement Assistance Program.

**Public Housing MROP** -- Public Housing Major Reconstruction of Obsolete Projects.

**Rehabilitation** -- The improvement or repair of an existing structure, or an addition to an existing structure that does not increase the floor area by more than 100 percent. (Federal Register, July 20, 1992, pg. 32112, HOPWA)

**Rent Burden > 30 percent (Cost Burden)** -- The extent to which gross rents, including utility costs, exceed 30 percent of gross income, based on data published by the U.S. Census Bureau.

**Rent Burden > 50 percent (Severe Cost Burden)** -- The extent to which gross rents, including utility costs, exceed 50 percent of gross income, based on data published by the U.S. Census Bureau.

**Rental Assistance** -- Rental assistance payments provided as either project-based rental assistance or tenant-based rental assistance.

**Renter** -- A household that rents the housing unit it occupies, including both units rented for cash and units occupied without cash payment of rent. (U.S. census definition)

**Renter-Occupied Unit** -- Any occupied housing unit that is not owner-occupied, including units rented for cash and those occupied without payment of cash rent.

**Rural Economic and Community Development Services**-- referred to as RECDS, formerly know as the Farmers Home Admistration

**Rural Homelessness Grant Program** -- Rural Homeless Housing Assistance Program, which is authorized by Subtitle G, Title IV of the Stewart B. McKinney Homeless Assistance Act.

**Secondary Housing Activity** -- A means of providing or producing affordable housing--such as rental assistance, production, rehabilitation or acquisition -- that will receive fewer resources and less emphasis than primary housing activities for addressing a particular housing need. See also "Primary Housing Activity."

**Section 215** -- Section 215 of Title II of the National Affordable Housing Act: the section that contains the CHAS provisions. Section 215 defines "affordable" housing projects under the HOME Program. See "Affordable Housing."

**Service Needs** -- The particular services identified for special needs populations, which typically may include transportation, personal care, housekeeping, counseling, meals, case management, personal emergency response, and other services to prevent premature institutionalization and assist individuals to continue living independently.

**Severe Cost Burden** -- See Cost Burden > 50 percent.

**Severe Mental Illness** -- Includes the diagnoses of psychoses (e.g. schizophrenia) and the major affective disorders (e.g. bipolar, major depression). This does not include those diagnosed with organic disorders. It must be chronic,

having existed for at least one year. SMI significantly limits a person's ability to live independently. This definition is different from that of the National Institute on Mental Health.

**Severe Physical Problems** -- Plumbing. Lacking hot or cold piped water or a flush toilet, or lacking both bathtub and shower, all inside the structure for the exclusive use of the unit. Heating. Having been uncomfortably cold last winter for 24 hours or more because the heating equipment broke down, and it broke down at least three times last winter for at least 6 hours each time. Electric. Having no electricity or all of the following three electric problems: exposed wiring; a room with no working wall outlet; and three blown fuses or tripped circuit breakers in the last 90 days. Upkeep. Having any five of the six maintenance problems listed above; Hallways. Having all of the four problems listed above in public areas.

**Sheltered** -- Families and persons whose primary nighttime residence is a supervised publicly or privately operated shelter, including emergency shelters, transitional housing for the homeless, domestic violence shelters, residential shelters for runaway and homeless youth, and any hotel/motel/apartment voucher arrangement paid because the person is homeless. This term does not include persons living doubled up or in overcrowded or substandard conventional housing. Any facility offering permanent housing is not a shelter, nor are its residents homeless.

**Shelters** -- Residences that do not provide the opportunity for continuous tenancy, including overnight facilities vacated each day, hotels and other places provided for a temporary stay using "vouchers" or "chits," transitional shelters (maximum stay is up to two years).

**Small Related** -- A household of two to four persons that includes at least one person related to the householder by birth, marriage, or adoption.

**Substandard Condition and not Suitable for Rehab** -- By local definition, dwelling units that are in such poor condition as to be neither structurally nor financially feasible for rehabilitation.

**Substandard Condition but Suitable for Rehab** -- By local definition, dwelling units that do not meet standard conditions but are both financially and structurally feasible for rehabilitation. This does not include units that require only cosmetic work, correction or minor livability problems, or maintenance work.

**Substantial Amendment** -- A major change in an approved housing strategy. It invokes a change to the five-year strategy, which may be occasioned by a decision to undertake activities or programs inconsistent with that strategy.

**Substantial Rehabilitation** -- Rehabilitation of residential property at an average cost for the project in excess of \$25,000 per dwelling unit; or rehabilitation that involves costs in excess of 75 percent of the value of the building after rehabilitation.<sup>6</sup>

**Supportive Housing** -- Housing, including housing units and group quarters, that have a supportive environment and includes a planned service component.

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<sup>6</sup> The first definition is from Appendix A of HUD's Instructions for Developing and Completing a Five-Year CHAS. The second is from the *Federal Register*, July 20, 1992, pg. 32112, regulations for the Housing Opportunities for Persons with AIDS Program.

**Supportive Service Need in FSS Plan** -- The plan that PHAs administering a Family Self-Sufficiency program are required to develop to identify the services they will provide to participating families and the source of funding for those services. The supportive services may include child care; transportation; remedial education; education for completion of secondary or post-secondary schooling; job training, preparation and counseling; substance abuse treatment and counseling; training in homemaking and parenting skills; money management and household management; counseling in home ownership; job development and placement; follow-up assistance after job placement; and other appropriate services.

**Supportive Services** -- Services provided to residents of supportive housing for the purpose of facilitating the independence of residents. Some examples are case management, medical or psychological counseling and supervision, child care, transportation, and job training.

**Tenant-Based (Rental) Assistance** -- A form of rental assistance in which the assisted tenant may move from a dwelling unit with a right to continued assistance. The assistance is provided for the tenant, not for the project.

**Total Vacant Housing Units** -- Unoccupied year-round housing units. (U.S. census definition)

**Unsheltered** -- Families and individuals whose primary nighttime residence is a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings (e.g., streets, parks, alleys).

**Vacant Awaiting Occupancy or Held** -- Vacant year-round housing units that have been rented or sold and are currently awaiting occupancy, and vacant year-round housing units that are held by owners or renters for occasional use. (U.S. census definition)

**Vacant Housing Unit** -- Unoccupied year-round housing units that are available or intended for occupancy at any time during the year.

**Very Low Income** -- Households whose incomes do not exceed 50 percent of the median area income, as determined by HUD, with adjustments for smaller and larger families and for areas with unusually high or low incomes or where needed because of prevailing levels of construction costs or fair market rents. This term corresponds to low-income households in the CDBG Program. For the purpose of further distinguishing needs within this category, two subgroups (0 to 30 percent and 31 to 50 percent of MFI) have been established in CHAS tables and narratives.

**Worst-Case Needs** -- Unassisted, very low-income renter households who pay more than half of their income for rent, live in seriously substandard housing (which includes homeless people) or have been involuntarily displaced.

**Year-Round Housing Units** -- Occupied and vacant housing units intended for year-round use. (U.S. census definition.) Housing units for seasonal or migratory use are excluded.

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